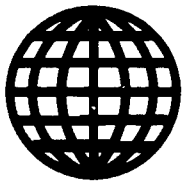


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# ***JPRS Report***

# **China**

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# China

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## Lenin's NEP Cited in Warning on Economic Reform

92CM0247A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese No 3, 11 Mar 92  
pp 8-11

[Article by Li Zhenzhong (2621 7201 0022): "Why Did Lenin Pay Attention to the Vekhi Faction's True Class Talk?—Notes on Reading the New Edition of the *Collected Works of Lenin*, Vol 43"]

[Text] In 1922, in his political report to the 11th Congress of the Russian Communist Party (Bolshevik), Lenin talked about the question of whether the Bolsheviks' New Economic Policy [NEP] was actually evolution or tactics, and he referred specifically to the Vekhi faction.

The Vekhi faction was a political faction led by leaders of Russia's Constitutional Democratic Party, then in exile abroad, and some ministers of the government headed by Aleksandr V. Kolchak. They published a magazine called "Vekhi [Change of Sign Post]" and thus became known as the Vekhi faction. The members of this faction, particularly its leaders, were a group of diehards opposed to the October Socialist Revolution and the Soviet Government. However, after the Soviet Government implemented the NEP, the Vekhi faction made a 180 degree about-face to support the Soviets. Nikolai Ustrialov, a representative figure of the Vekhi faction and an old member of the Constitutional Democratic Party, said: "I am for supporting the Soviet Russian government. My reason for supporting this government is that it has taken the road leading to an ordinary bourgeois regime." "You can say whatever you want to about communism, but I am certain this is not their tactics, but evolution." The Vekhi faction commented: "What kind of a state is the Soviet regime trying to build? The communists say it's a communist state and want people to believe that the NEP is some kind of tactics. That is, the Bolsheviks are trying to fool the private capitalists at this difficult juncture so that they can achieve their own goals later. The Bolsheviks can say whatever they like to say, but in fact this is not tactics, but evolution, an internal transmutation. They are surely moving toward building an ordinary bourgeois state, and we should support them. History reaches the same goal by different routes." The Vekhi faction even said without mincing words: "You are stumbling into an ordinary bourgeois quagmire, only waving a few small communist flags inscribed with all kinds of empty talk."

Lenin felt that the above-mentioned comments by the Vekhi faction were "very useful" and "must be taken seriously," because they were "the class enemies' true words." "The class enemies telling the truth are much better than people pretending to be and looking like communists, and much better than those disgusting 'communist lies.'" Lenin held that the Vekhi faction's true class talk "points out the danger lying ahead of us.

The enemies are trying very hard to turn it into something inevitable." He pointed out further: "The Vekhi faction reflects the feeling of tens of thousands of property owners of all descriptions and Soviet functionaries participating in our NEP work. This is a major real danger. Therefore, our main attention should be focused on the question: Who will prevail after all?"

Lenin did not simply dismiss the Vekhi faction's talk (that the Soviet regime is surely moving toward building an ordinary bourgeois state). On the contrary, he said: "What Ustrialov has said may actually happen." In fact, in the course of implementing the NEP, there were instances of "failure to act according to our will." Lenin noticed and was paying serious attention to the problem. He said: In the past year, "the state has come under our control, but has it acted according to our will on the NEP in this past year? No.... it's like a car which refuses to be controlled. There seems to be a driver sitting inside, but instead of going where the driver wants to go, the car is going where someone else wants it to go." "The car does not follow completely, and often refuses to follow altogether, the way it is expected to run by the man behind the steering wheel." Lenin held that this was a "basic point to bear in mind" in implementing the NEP.<sup>1</sup>

Another reason for paying attention to the Vekhi faction's class talk is the treacherous nature of its struggle tactics: to sneak into the Soviet organs of power to change the nature of the proletarian political power slowly from within and "kill us with a slow poison in our own home." At that time, Bukharin made the following description of the Vekhi faction's "secret idea" and "hidden intention": "They must gradually sneak into the pores of the Soviet organism, join the organs of Soviet construction, place their people everywhere in these organs, slowly but persistently and firmly change the make-up of the Soviet state.... rely on little internal changes, and transform the make-up of the Soviet organizations by repeatedly substituting new people for old ones so that all the communist regime's policies 'will run into obstructions and end up in failure.' In this way, we will find ourselves in such a situation: In appearance, we will maintain all our ornaments, the red flag, the Internationale, the Soviet form of government, and so forth. But all these will have changed in substance, and they will no longer be antimilitarist, revolutionary, and proletarian, but will reflect the expectations, inspirations, hopes, and interests of a new bourgeois stratum, which will continue to grow, keep gaining strength, and will, through slow organizational changes, alter the entire make-up of the Soviet state and gradually lead it onto the path of purely capitalist policies." This new bourgeoisie "will go forward, waving a national banner covered with international phrases, and move toward a.... capitalist Russia."<sup>2</sup> As Ustrialov put it: "The state will be changed into something like a radish, which has a red skin but is white like snow inside." This is the essence of the Vekhi faction's tactics.

Because Lenin paid close attention to and dealt seriously with the Vekhi faction's class talk from the very beginning, the Vekhi faction's attempt did not succeed. The implementation of the NEP did not lead to a "normal capitalist road." On the contrary, the socialist economy gradually grew in strength, and the newborn proletarian political power became more consolidated. With the success of the NEP, the Vekhi faction had no alternative but to be swept onto the garbage heap of history with a few sad and shrill cries. The Vekhi faction has long since turned into dust, but its ghost has not disappeared and is still wandering in the world. The exploiting classes will always try in every possible way to regain their lost paradise. This was true in the past and is still true at present.

History will not repeat itself. However, things that are happening today often have a shocking similarity to what happened in the past. The bourgeois liberalization advocates in China are much like the erstwhile Vekhi faction. Not only do they have similar goals, but they also use the same tactics. The people who advocate bourgeois liberalization treat our reform the same way as the Vekhi faction treated the NEP. Pretending to support the reform, they are trying to lead the reform from within onto the road of "political pluralism and free market economy" and to bring about a capitalist restoration slowly and step by step. In Fang Lizhi's [2455 0536 0037] words, this is called "preserving the form, but changing the substance," "hanging up a sheep's head and selling dogmeat." In other words, socialism can remain unchanged in name, but will be changed completely in content and substance, like a red radish, "which has a red skin, but is white inside." It should be recognized that peaceful evolution from within, like bourgeois liberalization, is a greater danger to the socialist cause than direct attacks from the outside. This danger must not be taken lightly.

The party Central Committee pointed out long ago: "On the issue of the reform and opening to the outside world, two completely different views exist." "Today, the four cardinal principles and bourgeois liberalization stand in diametrical opposition. It can be said that this contrast is reflected, to a great extent, in the problem of whether or not in the reform and opening to the outside world, we persist in the orientation of socialism."<sup>3</sup> More recently the party Central Committee again pointed out: "We must distinguish between two fundamentally different concepts of reform and opening to the outside world, namely, the concept of reform and opening to the outside world under the guidance of the four cardinal principles and the one advocated by exponents of bourgeois liberalization. The latter would, in essence, lead China toward capitalism." The party Central Committee also admonished us: "Without adherence to the socialist orientation in reform, all the achievements scored by the party and the people in the last 70 years will come to nought."<sup>4</sup> It is clear that the party Central Committee has always attached great importance to this problem, pointed out in good time the proper course of reform and

opening to the outside world, and repeatedly reminded the whole party to maintain a sober understanding of this problem. So long as we use in actual work the two concepts of reform and opening to the outside world as our theoretical weapon, criticize the kind of reform and opening to the outside world which leans toward capitalism and will ultimately lead China to capitalism, and unwaveringly stick to the course of reform as a process of self-improvement and development of the socialist system, our socialist cause will assuredly advance from victory to victory, and all the attempts of the hostile forces at home and abroad to make use of China's reform and opening to the outside world to bring about a peaceful evolution will surely end up in complete failure.

#### Footnotes

1. All the quotations above are from the 1987 People's Publishing House edition of the *Collected Works of Lenin*, Vol 43, pp 85-93.
2. See the 1988 Dongfang Publishing House edition of *Selected Works of Bukharin*, p 72.
3. Jiang Zemin: "Speech at the Meeting in Celebration of the 40th Anniversary of the Founding of the People's Republic of China"
4. Jiang Zemin: "Speech at the Meeting Marking the 70th Anniversary of the Founding of the Communist Party of China"

#### Article Warns Against People Who Negate History

92CM0241A Beijing ZHENLI DE ZHUIQIU  
[Pursuit of Truth] in Chinese No 2, 11 Feb 92 pp 19-21

[Article by Sima Ru (0674 7456 1332): "Drastic Historical Change and the Function of Historiography"]

[Text] In the ninth decade of the 20th century, history seems to have reached another crossroad. Many people are in a quandary about the drastic changes and the major twists and turns that history is encountering now in its forward movement. How should the drastic changes and the twists and turns of history be regarded; how should the past and the future be thought about; where is history going; does history have its own objective laws of development after all; can history be perceived as a subjective thing; and is the materialist view of history a scientific historical view? These are all questions that historians who feel a sense of social responsibility and mission about the era must face squarely, ponder, and answer.

We see during a historical maelstrom when the world is in a frenzy and the tide is turning, that all over the world hot wars are becoming cold wars, cold wars are becoming hot wars, the international climate is blowing hot and cold, and various political forces are separating and suddenly combining. During this intense turbulence and

changeable situation, certain western "historians" and "theoreticians" are jubilant. They are beside themselves with joy, supposing that their hopes and predictions have become true, or are about to become true. Meanwhile some people termed historians who formerly believed in Marxism also seem suddenly to have awakened from a dream to "discover" all of a sudden that all of the history that they formerly believed in, studied, wrote about, and experienced is wrong. Not only was Stalin completely wrong, but Lenin, Marx, and Engels were completely wrong as well. Not only was the October Revolution wrong, but the entire socialist system and communism are completely wrong too. Thus, they pose as "historians" or "theoreticians," "courageously" coming forward not only to deny completely nearly a century of proletarian revolution, and a history of more than 70 years of the socialist system, but they also want to change this history. On the one hand, they say that the revolutionary theory and the revolutionary practice of the proletariat and their leaders is completely devoid of merit. They paint them completely black, doing their utmost to drive them from the stage of history. At the same time they call upon the ghosts of emperors and nobles, landlords and the bourgeoisie, garbing them in finery once again and placing a halo over their heads, esteeming them the lords of history. However, such "courageous" "discoveries," aside from playing some role in preparing public opinion, and in adding fuel to the fire about the collapse of socialism and the restoration of capitalism is not at all new in terms of the science of history. This is because these same tunes have been sung heaven knows how many times by Western anti-communist and anti-Marxist "historians" and "theoreticians." The only difference is that they were formerly scurrilous attacks from outside, but now they are "statements based on personal experience" from inside. Such a duet in which those outside call and those inside echo have created tragic consequences that all can see.

Harsh reality tells us that one can never underestimate the role of the masterpieces of these "historians" who negate history and turn history upside down simply because they contain nothing new. History and reality, particularly revolutionary history and socialist reality, are closely linked. One psychological stratagem and one drastic method used to negate socialism is to deny revolutionary history. However, the history of any era, and the history of any class revolution cannot be a created illusion or a beautiful picture. During the course of intense class conflict, not only may there be hope, victory, and joy, there may also be complications, defeat, and sorrows, and even gore. To look only at the negative and dark things, to look at them through the magnifying glass of exploiting class biases, and to employ the method of seizing on a single point while ignoring the whole picture in writing about them, thereby distorting the revolution, portraying the revolution and revolutionaries as bad, and blackening revolutionary history is, after all, what "historians" who purposely oppose communism and oppose socialism do for a living. They have written in such a manner for a long time, are writing in

this manner now, and will continue to write in this way. They are at liberty to do so, and this is also a requirement of their class interests. It cannot be deemed strange. However, a true historical materialist cannot distort history, revise history, or purposely fabricate historical chaotic and ideological chaotic actions in this way, having ears that do not hear and eyes that do not see. This is because this is a matter affecting the life of the nation and the destiny of the people—the rise and fall of the nation.

If one says that some people still have doubts and reservations about the Marxist materialist view of history, and about the use of the class struggle concept and the class analysis method to study history, then take a look and think awhile about how the so-called "historians" who unfurl the banner of "all mankind," and who loudly sing about "humanity," and "justice" and adopt the position of spokesmen for landlords and the bourgeoisie, loudly extol rule by the nobility and the bourgeoisie, and loudly complain about injustices; and how they willfully slander and vilify the proletariat and the broad masses of working people. What is so fresh and new about their support for the class standpoint and class loves and hatreds regarding the interests of the landlords and bourgeoisie! The logical result of their entire refutation and complete reversal of the history of the revolution must inevitably lead to aiding the subversion, from theory to practice, of socialist rule. Thus, the hooligan descendants of the nobility declare their intention to "recover lost territory," and reascend the throne. The specter of fascism prepares to make trouble or even ride roughshod; and the bourgeoisie believe even more firmly that the time for restoration has arrived. What future explanation can be given for such historical phenomena and actual events that depart from class struggle concepts and the class analysis method? In places having no classes or where classes have been virtually eliminated, the artificial pursuit of class struggle or the expansion of the scale of class struggle is wrong, of course. However, where class struggle has not yet been eradicated or cannot be eradicated for a long time to come, or during an era in which class antagonisms and class struggle exist around the world and the struggle between the socialist and capital systems continues, the struggle between peaceful evolution and anti-peaceful evolution in the ideological realm becomes the main manifestation of class struggle. As a field of ideology, the science of history is bound to become a contested area between socialism and capitalism—a position that both want to occupy. When, from ancient times to the present, has there ever been a study of history that transcends the era and that transcends class!

If one says that formerly our understanding of the correlation between history and actual events, and of the importance of studying history was not all that profound or all that concrete; or that the social function of historiography was somewhat underestimated, then two historical textbooks are right in front of our eyes today: One is the positive revolutionary history textbook, which uses

facts to inform people about the arduous difficulties and the bloody sacrifices made in the Chinese and the Russian democratic and socialist revolutions before victory was attained, and what daunting struggle was required to consolidate and elaborate these victories. The other textbook is the negative history textbook which turns facts on their head in an all-out effort to vilify, attack, and distort the history of the revolution. It poisons people's minds about how awful revolution is and how bad socialism is, concluding that only by overthrowing socialism and restoring capitalism can "hell" be avoided and "paradise" attained. Now that the socialist system has collapsed in Eastern Europe and the USSR in a reversal of the wheels of history, have those places become a "paradise?" How are the ordinary people faring there? Inexorable history and inexorable reality are making a reply, and will continue to make a reply.

The ordinary people do not understand the laws of history, nor do they write history books, but they are by no means indifferent to history. They frequently use their personal experiences and feelings to look at reality in terms of history and to look at history in terms of reality. This is what is commonly known as contrasting present happiness with past suffering. Not long ago, a Russian citizen wrote the following in an open letter to Mikhail Gorbachev: "You enjoy very high prestige on the international stage. 'World opinion' evaluates highly the meritorious service you rendered in turning your great nation into a huge Lebanon. However, you should know that all of this will pass away in the twinkling of an eye. While they were alive, your revered predecessors—from Lenin to Stalin and on down to Brezhnev and Chernenko—may not have thought very much about 'insignificant matters' such as how history would regard them or the opinions of posterity. Nevertheless, their example shows that the posthumous evaluation of leaders is hard to predict... How do you plan to go down in history?"

"How does one plan to go down in history?" This is a matter that cannot be determined by an individual's subjective will. In both ancient and modern times, and in China and abroad, history has always advanced and developed through an antagonistic struggle between one class and another; between justice and injustice; and between the true, the good, and the beautiful, and the false, the bad, and the ugly. Thus, both history and the people must examine the role and the function that people have played in these struggles, and the reasons why historical personages have come to be divided into the right and the wrong, the commendable and the contemptible, the loyal and the traitorous, and the good and the bad. The class forces and their representatives who act contrary to the laws of history, temporarily blocking or distorting social progress, may be, one may well say, nothing new in history and not at all strange, because history is an endless and ever changing, complex and tortuous process. However, no matter how complex and tortuous, in the end, progress will triumph over

reaction; justice will triumph over injustice; and the true, the good, and the beautiful will triumph over the false, the bad, and the ugly. Even though history may at times present a scene of "mountain forests covering the landscape as far as the eye can see, and rivers meandering back and forth like looping intestines," a world beyond the "mountain forests" does exist, and the vast rivers do make their way to the sea. Such a view must also be taken of the situation of socialism and communism, which has suffered setbacks and is at a low ebb. Meanwhile, the heroes who gain the upper hand for a time, are swollen with arrogance, and who willfully bury the cause of the people and revolutionary history, causing a reversal of the course of the world for a time will be, before long, buried by the people and by history. Such a historical scenario has been played out in the past, and is being played out now.

In an era of raging tempests when the world is changing with each passing day, and in today's world when history and reality are covered under layers of dense fog and all sorts of trends of thought come pouring forth in a continuous stream, as a science, historiography must all the more use scientific forces and scientific methods in playing the social role that it can and must play. Certainly, this is not to equate historiography with the dissemination of political current events, much less is it to say that historiography should be limited to contemporary history and revolutionary history. However, it is to say that as an ideology and a field of science, historiography will play a positive or a negative role in the economy and politics of a given society. "History for history's sake"—historiography that does not partake of the food of this world—is a falsehood that has never existed. All one needs do is look at the role that "historiography" plays in the strategy of antagonistic Western forces in carrying out the "peaceful evolution of socialism," and the situation becomes very clear.

#### Peaceful Evolution in Communist Party Viewed

92CM0259A Shanghai ZHENGZHI YU FALU  
in Chinese No 1, 5 Feb 92 pp 2-4

[Article by Ma Jie (7456 4814): "Characteristics of Ruling Communist Parties Undergoing Peaceful Evolution"]

[Text] Whether or not a socialist nation ruled by a communist party will take the road of peaceful evolution depends mainly on whether or not the communist party itself will undergo peaceful evolution. After all, it is the ruling communist party which bears the brunt of the infiltration and subversive activities in a socialist nation by hostile Western forces. Therefore, studying in depth and identifying the main characteristics of the peaceful evolution of the ruling parties in some socialist nations will help us zero in on what is really crucial in our drive to strengthen the construction of the CCP and raise our consciousness about preventing and opposing peaceful evolution. This article proposes to explore some opinions relating to this issue.

1. Changing the nature of the communist party. The communist party is a political party of the proletariat and a vanguard organization of the working class. Only when a communist party possesses a distinct proletarian nature can it lead the working people to succeed in revolution and construction and fulfill its own historic mission. The proletariat's place in history and its role cannot be replaced by that of any other class, a fact determined by the special characteristics of the working class. With its close ties to modern mass industry, the working class represents advanced productive forces, advanced relations of production, and the fundamental interests of the whole people. It is highly organized and disciplined and is full of revolutionary resolve and thoroughness. The working class considers the liberation of all mankind to be its responsibility; only by liberating all mankind can the working class liberate itself in the end. In the wake of the development of the modern new-tech revolution, the educational level of the working class has generally risen and both its internal structure and methods of labor have changed significantly. However, these changes not only will not alter the special characteristics of the working class, but will on the contrary consolidate its concept of viewing the situation as a whole and its sense of modernity. In the current international communist movement, some people opposed to the Marxist-Leninist school of party-building have seized upon the new changes in class relations to redefine the proletarian party as a party of "those who rely on their own labor to earn an income," a party of "small businessmen," a party open to all people of all nationalities, and a party above class, thereby fundamentally rejecting the class basis of the communist party and stripping the Marxist-Leninist theory of party-building of its very essence. In China too there are people who attempt to reject the working class as the representative of advanced productive forces and the leading class of the state. Instead of relying wholeheartedly on the working class, they rely on the best and the brightest who pursue bourgeois liberalization. In building up party membership, some units fail to adhere to the criterion of membership—a vanguard fighter for the working class—and recruit into the party some people who have no political consciousness and are not eligible for party membership, including a few individuals who are opposed to Marxism-Leninism and Mao Zedong Thought. Some of these people have even been promoted to leadership positions and entrusted with important duties. Already such dangerous practices have had highly damaging consequences for the party's cause. This problem should be worked out carefully in party construction.

2. Changing the party's guiding thought. The guiding thought of the communist party is Marxism-Leninism, a coherent and tightly-knit scientific system, a fighting banner that will guide the worldwide proletariat in its onward march toward victory. Marxism-Leninism is the cornerstone and very spirit of the entire world outlook of the communist party. The theoretical treasure house of Marxism-Leninism, in turn, is endlessly consolidated and enriched by the revolutionary practical activities of the proletarian party. There will be no strong proletarian

party without Marxism-Leninism. Some people, however, have written off Marxism-Leninism as the communist party's guiding thought at one stroke, substituting it with pluralism or universal supra-class values of human development, namely "humanism," "freedom," and "taking democratism as the guide." To strip the communist party, vanguard of the proletariat, of Marxism-Leninism is to take away its ideological weapon that can overcome the most daunting difficulty and defeat the most powerful enemy. The inevitable result is that the party will lose its correct political bearings. Its nature too will change.

3. Changing the party's objective of struggle. The objective of the communist party's struggle is to lead the working class and other working people to seize political power and, by building up socialism, ultimately set up a communist social system where there will be no classes, no exploitation, no oppression, where the rule is "from each according to his ability, to each according to his needs," and "where the free development of every individual is a requirement for the free development of all individuals." For this noble objective, generation after generation of communists and countless revolutionary martyrs have lost their lives and shed their blood. Herein also lies the value of the proletarian party. Yet people opposed to the Marxist-Leninist theory of party-building have abandoned the great goal of communism in favor of "building a democratic socialist society," "establishing a parliamentary democracy based on a multi-party system," "creating an economic structure with a mix of ownership systems," "moving onto a market economy," and "establishing a democratic and humane welfare state." This is an obvious change in direction, openly taking the capitalist road. Had these people limited themselves to calling for "democratic socialism," we might have had some difficulty, if only briefly, in figuring out their true intent. But when we examine the goals pursued by advocates of a democratic socialist society—"establishing a parliamentary democracy based on a multi-party system," "making the transition to a market economy," and "welfare state"—together and interpret the latter as a footnote to the former, their real objective becomes only too clear. To put it bluntly, they want to throw out the socialist political and economic system wrought by the working class under the leadership of the proletarian party after decades of struggle. So-called "democratic socialism" is nothing more than a synonym for the transformation of socialism into capitalism.

4. Changing the party's principle of organization. The organizational principle of the communist party is democratic centralism. According to the theory and practice of Marxism, the basic features of democratic centralism can be summarized as follows: 1) The party is not only the advanced and conscious army of the working class, but also an organized army of the working class, an organized unified entity. It must be constituted in accordance with the principle of democratic centralism: The



minority submits to the majority, subordinate organizations submit to those above, and organizations at all levels across the nation as well as all party members submit to the center (the central committee and the party's national congress). 2) The party's democratic principle requires that party affairs be handled by all party members, who are all equal, either directly or through their representatives. Within the party, all officers in charge and all leading cadres are elected and must present work reports to the party members. They can be replaced. 3) There must be a highly rigid centralization system and tight discipline within a proletarian party, otherwise it will not be able to function effectively as an organization. Party discipline means acting in unison, freedom of discussion, and freedom of criticism. The maintenance and strengthening of party discipline depends on the consciousness of the vanguard of the proletariat, on the party's ability to identify with the masses, and on the correctness of its political leadership. Without them party discipline cannot be maintained. 4) The tendency to support ultra-democracy and self-government and oppose centralism is inherent in organizational opportunism. 5) Democracy and centralism are dialectically united; neither can be done away with. There can be no centralism without democracy, no true democracy without correct centralism. The principle of democratic centralism can be properly enforced and collective leadership can be thoroughly combined with division of labor with individual responsibility only if centralism is based on democracy and democracy is guided by centralism; only if we come from the masses and go back to the masses, persevering together; and only if we oppose unorganized and undisciplined ultra democracy, liberalism, and other erroneous tendencies, at the same time opposing such practices as "one man laying down the law," "dealing with people in a high-handed way," and "one-man dictatorship."

The strength of the proletarian party lies in its organization in strict accordance with democratic centralism. If the party deviates from it, the oppressed and exploited proletariat will not be able to overcome its powerful enemy. Even if victorious, the proletariat will not be able to consolidate and develop the fruits of victory. The proletarian party will be overthrown and the people too will end up losing everything. Influenced by a tide of anti-Marxist thinking, however, some communist parties have adopted declarations and resolutions openly calling for a "break" with orthodox "democratic centralism" and proposing that decisions be made by a simple majority of the people present at a meeting, even equating "democratic centralism" with autocracy. Here it needs to be pointed out that a distinction must be made between the principle of democratic centralism and the various deviations and mistakes that occur in the course of implementing democratic centralism. To preserve the party's fighting capacity and vitality, all true communists must not only combat all deviant tendencies that violate the party's democratic centralism, but also must never stop developing and improving democratic centralism and perfecting the party's organizational

system in the course of party building. However, never must we use the errors committed in implementing democratic centralism as an excuse to totally reject the party's organizational principle of democratic centralism. An open break with democratic centralism is bound to turn the communist party into a loosely organized "club" with no fighting capacity at all, bogged down in an opportunistic organizational quagmire.

5. Because of the political need to have the communist party undergo peaceful evolution, some anti-Marxists have revised and amended membership qualifications, the procedures for recruiting members, the obligations of a member, and grass-roots party organizations. Their purpose is to lower members' standards, erode the party's fighting capacity, and undermine and disintegrate the party organization. Instead of being a great title with special attributes, "party member" is reduced to an ordinary citizen. Instead of being a solemn matter that must be discussed, examined, and approved based on the recruit's qualifications following strict procedures, the admission of a party member has become something that is highly casual: Whoever wants to be a party member will be admitted. Instead of being the fighting bastion for revolution and construction, the grass-roots party organization has become a loose group. Thus party members can no longer live up to their exemplary vanguard role; nor can grass-roots party organizations function as the political core.

In short, if a ruling communist party has changed in the above-mentioned ways, it will no longer be a communist party. The nation involved will inevitably change its political color too. This is precisely what has happened. Certainly the issue awaits our further in-depth study and research. This article merely raises the issue for everybody's consideration.

#### **Gradual Reform Defended; Soviet Method Criticized**

92CM0235A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese  
No 2, 11 Feb 92 pp 24-26

[Article by He Zhaxiu (0149 4373 1652): "On 'Crossing the River by Feeling for Stones Beneath the Water'"]

[Text] Since reform and the open policy went under way, people have found an important "way to point out problems and and solve problems"—"crossing the river by feeling for stones beneath the water."

The reform and the open policy is a historical first. There is no precedent. As long as we explore on our own, there is the possibility that we may fail. To avoid just such a possibility, we must go forward cautiously as we reform and pursue the open policy. You cannot make progress without going forward. On the other hand, if you go forward rashly, you run the risk of tripping over and falling, in which case progress will be out of the question. It is like an army trying to cross a river, not knowing where the undercurrents and rapids are. To avoid any

error affecting the overall situation, comrades with practical military experience say, "It is better cross the river by feeling for the stones beneath the water."

One must feel the stones. In other words, the stones are not immediately and readily visible. In fact, they may be attached to a shoal and can be washed away easily. Thus "crossing the river by feeling for the stones beneath the water" sums up not only practical military experience but also a practical way of handling and resolving all complex issues.

Nevertheless, this methodology, which is entirely consistent with Marxism, has been ridiculed by some people as an example of expedient pragmatism and empiricism devoid of theory. Others even deride its advocates for lacking "theoretical" perceptiveness, and sneer at reform and the open policy for lacking theory, a weakness that presumably can be corrected by the self-appointed masters of theory.

China's reform and open policy is a fundamental policy based on a detailed analysis of all the contradictions between the productive forces and the relations of production, between the economic base and the superstructure, in China's social life today. Since interest groups continue to exist in Chinese society today, a struggle between the various social interest groups is inevitable as we carry out reform and the open policy. That is, is reform and the open policy the self improvement of the socialist system, or will it steer us toward capitalism? To safeguard the interests of the vast majority of people to the greatest extent possible, we must adhere to the four cardinal principles and prevent peaceful evolution. That is why we say, "The four cardinal principles are the cornerstone of the nation. Reform and the open policy is the road to national strength." This is a reasoned analysis and scientific prediction informed with a profound knowledge of historical development and takes in the whole sweep of construction. How can we say reform and the open policy has no theory?

Certainly, reform and the open policy is nothing more than a general policy for developing Chinese society. In the course of actual implementation, the general policy of reform and opening to the outside world needs to be amplified by numerous detailed policies and measures during every stage and every phase. Whether or not these policies and measures are effective in practice and can be popularized across the board are not subject to wishful thinking. That leaves us no choice but to cross the river by feeling for the stones beneath the water.

Comrades engaged in scientific and technological work all know that while a natural scientist can and often does conduct a scientific experiment guided by nothing more than a theory, an engineer cannot base his engineering design on theoretical speculation alone. No untested technology or measure—however splendid its theoretical prospects, however enormous its potential economic benefits—can serve as the basis of engineering design. This is one rule all good engineers must abide by. To some people,

this is the result of conservatism playing a trick on the engineers. But such conservatism is indispensable.

The development of the natural science is marked by a series of breakthroughs. However, the development of engineering technology is a gradual process of incremental accumulation without any breakthroughs. A technological revolution must be put in the context of history. In any particular engineering project, all we can find are some limited improvements and innovations. A skyscraper begins from the level ground up. In the process of building a skyscraper, one encounters new technological problems, such as the effect of strong wind on tall buildings. Some new technology also emerges gradually. In the construction of nuclear power stations, for instance, we begin by putting up small stations before graduating to bigger ones. We go through intermediate testing to accumulate the required technology. The reason is that we cannot afford to make mistakes in engineering construction.

Reform and the open policy is social engineering on a super-large scale. How can we imagine that the designers of such a project of social engineering would casually adopt some untested theories or proposals? A theory becomes a scientific theory only after undergoing the test of practice. And even then a scientific theory becomes a standard or rule acceptable to engineering designers only after it has been put through the test of practice and shown to be effective. Hence the need to "cross the river by feeling for stones beneath the water."

There was this famous saying by Chairman Mao Zedong, "No investigation, no right to speak." "While this saying has been ridiculed as 'narrow empiricism,'" Mao Zedong argued, "I have never regretted saying it. Not only that, but I still insist that he who has not done any investigation has no right to speak... The reason is that this kind of talk or criticism without the benefit of a careful study is nothing more than ignorant nonsense." (Preface and postscript to *Rural Survey*.) We are not now talking about making criticisms and expressing one's opinions at a seminar, but about pushing ahead with reform and the open policy. How then can we dismiss "crossing the river" as "empiricism?" Lenin said, "Practice is superior to theoretical understanding; not only does practice have the advantage of universality, but it also has the advantage of direct practicality." (*Philosophical Notes*, p 201) What is clear is that people who sneer at the "feeling for the stones" theory only show the superficiality of their understanding of China's reality. They are ignorant of both practical work and the Marxist methodology.

Diametrically opposed to "crossing the river by feeling for the stones beneath the water" as a philosophy for advancing reform and the open policy are the so-called 500-days-to-a-market-economy plan and 2-and-a-half-years-to-a-market-economy plan being touted overseas. As a commentary in a Hong Kong paper notes, "Concerning the debate on the two reform plans, ask any person who has actually worked in a market economy

and you will know that the development of market mechanisms from establishment to consolidation takes a very long time, so the idea that the transition to a market economy can be effected in just 500 days is idiotic nonsense. Even the notion that the transition can be accomplished in two and a half years is almost as absurd. These plans are predestined to fail even before they are introduced."

The practical experience of revolution and construction in China makes it clear that any change involving the relations of production of vast numbers of people must take an incremental and gradual approach and cannot be effected overnight. Otherwise, productive forces will be severely damaged. In the early days of liberation, there was a mutual aid and cooperative movement in agriculture as part of the transformation of the countryside. In the cities, the handicraft industry and private industry and commerce were transformed. Both took a gradual step-by-step approach. This explains why socialist transformation in China was a boost to the productive forces, instead of setting them back seriously. This is an important distinction between the Chinese revolution and what happened in the past. Actually even changes in the ownership system affecting just a minority of people such as the confiscation of bureaucratic capital and land reform took place over a period of time and required demonstration projects and gradual implementation. In land reform, for instance, poor peasants' leagues and peasants' committees had to be created. In some areas, moreover, there were the additional stages of eradicating bandits and local tyrants and lowering rents and interest rates until land was completely equally distributed. This was the only way to fully mobilize the masses, thoroughly destroy feudalism, and prevent the destruction of the productive forces.

The reform and the open policy currently under way in China seeks to develop and improve the socialist relations of production but also entails the utilization and limitation of certain capitalist relations of production. In terms of the internal economic operating mechanisms, we are now in the process of replacing the single planned economy with a mix of economic planning and market regulation. Meanwhile, the international environment we are facing has never been more complex, more changeable, and more unpredictable. All this requires that the people of all nationalities unite in good faith and work together with one heart to pull ourselves through these difficult times.

On the issue of "crossing the river by feeling for the stones beneath the water," what concerns people even more is this: Have we really found the stones? The answer to this question can come from practice alone, not theory. In other words, the answer must come from "feeling." The fact that we came up with the philosophy of "feeling for the stones" suggests that we have found the right methodology, that we have found the stones. We will continue to negotiate the rapids and shoals by hanging onto this method until we reach the other shore safely.

### QIUSHI Marks Party Style Articles Anniversary

HK3103073092 Beijing QIUSHI in Chinese  
No 4, 16 Feb 92 pp 7-11

[Article: "Pen Talks Marking 50th Anniversary of Publication of 'Rectify Party's Work Style'"; first paragraph is QIUSHI editor's note]

[Text] This year marks the 50th anniversary of the Yanan rectification movement and the publication of Mao Zedong's "Rectify the Party's Work Style" and other articles on rectification. The Yanan rectification movement was a large-scale rectification of party work style and a general Marxist education movement in our party's history. It brought about unprecedented solidarity and unity in the party on the basis of Marxism, laid a solid ideological foundation for the convocation of the seventh national party congress and for nationwide victory, and greatly enriched Mao Zedong's thesis on party-building. Today, a review of the historical experience of rectification and party-building will be of great practical significance in properly carrying out party-building in a new situation. It is with this objective in mind that we organized the present pen talks.

### A Programmatic Document on Party Style Cultivation, by Ma Wenrui [7456 2429 3843]

On 1 February 1942, Comrade Mao Zedong delivered a report entitled "Rectify the Party's Work Style" at the Central Party School, after which the Yanan rectification movement was unveiled. It has been 50 years since that date. The Yanan rectification movement was a great pioneering movement in our history of party building and a universal Marxist education movement within the party's framework. The rectification enabled the vast number of our cadres and party members to better understand the basic direction of the integration of Marxism's universal truth with the Chinese revolution's concrete practice; establish the ideological line of seeking truth from facts; and develop the three fine work styles of integrating theory with practice, maintaining close ties with the masses, and unfolding criticism and self-criticism, thereby laying the ideological foundation for the victory of the war of resistance against Japanese aggression and the war of liberation. As a programmatic document and sharp ideological weapon of the Yanan rectification movement, Comrade Mao Zedong's report, "Rectify the Party's Work Style," has played an extremely important role in unifying thinking within the party, strengthening the development of the party's work style, and enhancing the party's fighting power and rallying force.

Today, as we again study this article of Comrade Mao Zedong's in connection with the actual development of the party's work style, we can still feel its sense of purpose and its great practical significance.

After the Third Plenary Session of the 11th CPC Central Committee, our party restored the Marxist ideological line after setting things to right and rectifying the "left"

mistakes under the leadership of the party Central Committee with Comrade Deng Xiaoping as the nucleus. Since the Fourth Plenary Session of the 13th CPC Central Committee, our party has been stepping up its ideological and political work and attaching great importance to the development of the party's work style after learning from the mistake of stressing material progress at the expense of cultural and ideological progress. The practice of being honest in performing one's official duties and wholeheartedly serving the people is encouraged, and the ranks of cadres are satisfactory on the whole. However, there is no denying that following the implementation of the reform and open policy and the introduction of advanced science and technology and managerial experience from abroad, decadent and moribund capitalist things have also found their way into our country. Hostile Western forces have done their best to push their peaceful evolution strategy and tried by every possible means to infiltrate into our midst. Due to the commodity economy's dual nature, the negative effects have also multiplied as the commodity economy develops. These factors, coupled with our lack of ideological preparation and mistakes in work, have resulted in serious problems in our party's work style. These are mainly manifested in unhealthy and corrupt practices on the part of some party and government cadres.

The appointment of people by favoritism. On the use of cadres, people are not appointed on their merits. Personal ties rather than principles were stressed. The fact that our party's top criterion for cadre selection, that is, revolutionary spirit, has not been given due attention means that people who are adept at exchanging flattery and favors, boasting and touting, and seizing every chance to gain advantage by trickery, are able to sneak into our ranks. When they come to power, they become so-called "three-grab" cadres, that is, cadres who are after power, influence, and comfort. They simply do not have the masses in their eyes. They have turned the party's fine tradition of maintaining close ties with the masses into one of "maintaining close ties with the leadership."

Abusing one's power for personal gains. Having long forgotten that the party's aim is to wholeheartedly serve the people, some people have turned the power vested in them by the party and the people into tools for seeking personal gains and grabbing material benefits. Some have even gone so far as to engage in criminal acts, such as using public office for private gain, appropriating public property, practicing graft, demanding and taking bribes, and extorting money. They glibly talk about Marxism but have never truly practice it. The masses say that they are "linking theory with material benefits."

Practicing extravagance and waste. Despite the fact that the Central Committee has issued repeated injunctions in its resolute efforts to halt unhealthy practices, like extravagant wining and dining, "those below always have ways of dealing with the higher authorities' policies." As soon as the initial impact has subsided, they will return to their old ways. Parading one's wealth,

going in for ostentation and extravagance, traveling, entertaining, and giving presents at public expense have become the chronic ills of these people.

Bureaucratism and dereliction of duty. Some people stand high above the masses rather than going deep among them and into reality. They are content with merely hearing reports and reading materials, treating much exaggerated "commendations and self-commendations" as the truth. They are irresponsible; turn a blind eye to mistakes; are dilatory and perfunctory in work; and even practice subjectivism; resort to coercion and commandism; and indiscriminately demand apportionments, fees, and fines, thereby infringing upon the masses' interests and inflicting serious losses upon the party.

In short, the presence of these problems among a handful of our party cadres has exerted a bad influence on our party's work style, brought shame on the party's image, and seriously undermined the close ties between the party and the masses. In particular, at a time when drastic changes are taking place in East Europe, the Soviet Union is falling apart, the international communist movement is at its low, and hostile Western forces are stepping up their attempts to bring about peaceful evolution in our country, these unhealthy and corrupt practices are very worrying indeed. Only by resolutely eliminating these hidden perils can we stop the hostile Western forces from playing their tricks. Facts have testified to the correctness of Comrade Chen Yun's remark that "the question concerning the ruling party's style is a question concerning the party's life and death." With the lesson learned by some countries in mind, we may even say that it is a question that concerns the international communist party's destiny. Thus, we must not treat the matter lightly or lower our guard, and must instead take effective measures to solve the problems.

I believe that Comrade Mao Zedong's article "Rectify the Party's Work Style" will remain our programmatic document and sharp ideological weapon in our effort to solve current party style problems. Subjectivism and sectarianism criticized in "Rectify the Party's Work Style" remain problems we must deal with today. Comrade Mao Zedong criticized those who did not integrate theory with practice as "connoisseurs of antiques" who had forgotten "the most important of all sayings," that is, Marxist teachings are not dogmas but are the guide to action. He pointed out that "sectarian tendencies directed inward will lead to exclusiveness toward comrades inside the party, which is detrimental to inner-party unity and solidarity, whereas sectarian tendencies directed outward will lead to exclusionism, which is detrimental to the party's cause of unity with the people of all countries." He pointed out that the essence of the assertion of independence was the idea that the individual should come first. These remarks were all to the point and very profound. We must study Marxism-Leninism with the spirit of rectification. In the current drive to study party history and party-building theories, we must again study "Rectify the Party's Work Style"

and other writings of Comrade Mao Zedong's, as well as the related works of Comrade Deng Xiaoping. On the basis of profoundly studying and grasping the spirit and essence of these writings, we must measure ourselves by their standards, unfold criticism and self-criticism, and widely solicit the masses' opinions. Through conscientious study which integrates theory with practice, we will be able to raise the Marxist-Leninist level of all party members, particularly our party cadres; increase the party spirit; overcome the corrosive influence of subjectivism, sectarianism, individualism, and other nonproletarian ideas; fulfill the task of bringing about an obvious improvement in party style; and further take over and carry forward our party's three fine styles in the era of reform and opening up to the outside world. In this way, our party will always be invincible and will be better able to shoulder the historic mission of leading the people of the whole country in building a powerful socialist country with Chinese characteristics.

**Practical Significance of Promotion of Yanan Spirit, by Qiang Xiaochu [1730 2556 0443]**

Yanan has gone into our brilliant history as the Chinese revolution's beacon. As Comrade Jiang Zemin noted: "The Yanan spirit will shine forever." Yanan used to be the seat of the party Central Committee; the headquarters leading the war of resistance against Japanese aggression and the war of liberation; and the party's political, economic, and cultural center, as well as the sacred place of the Chinese revolution.

Yanan was the very heart of the Northwest China Revolutionary Base. It was referred to as the northern "Ruijin" after the Red Army led by the party Central Committee had arrived in northern Shaanxi and established its foothold there following the Long March. Due to historical reasons, however, it played a role which Ruijin had never played before. It became the starting point after the Long March, the point of departure for the war of resistance against Japanese aggression and the war of national liberation, and the place of origin of the national united front against Japanese aggression. On the basis of the rectification movement, the CPC held its Seventh National Congress in Yanan. After the Japanese aggressor troops surrendered, the party Central Committee directed the war of liberation from there. Under the leadership of the party Central Committee headed by Mao Zedong, this base was developed into a model base area with appeal as well as a rallying force—it became the embryo of New China.

When I recall how the brilliant Yanan revolutionary spirit took shape and how Mao Zedong Thought fully matured in theory as well as in practice, I am deeply convinced that the Yanan spirit is neither intrinsic nor something which descended from the skies. It is the continuation of the revolutionary spirit of Jinggangshan, the Long March, and the Zunyi meeting, as well as the product of the integration of Marxism-Leninism with the concrete practice of the Chinese revolution. The Yanan spirit is the spirit of seeking truth from facts, integrating

theory with practice, maintaining close ties with the masses, and unfolding criticism and self-criticism developed by our party after years of fostering. It is also the revolutionary spirit of upholding the truth, rectifying mistakes, relying on our own efforts, building an enterprise through arduous effort, being unafraid of sacrifice, and daring to win.

As we recall the Yanan spirit, our mind naturally goes back to the Yanan rectification and study movement. We should say that our party has attached great importance to the study of Marxism-Leninism from the very beginning. However, due to the presence of the struggle between the two lines within the party, particularly the serious damage done to our party by the subjectivist study style, the party's sectarian style, and the stereotyped party writing (foreign stereotyped writings) style as reflected by the "left"-deviationist opportunist line represented by Wang Ming, the Chinese revolution was in danger of being smothered. Although Comrade Mao Zedong had long been aware of their presence, he was unable to work out immediate solutions on account of the grim circumstances of war. Even the well-known Zunyi meeting was only able to rectify mistakes in the military line first and did not have the time to do anything about the ideological line. It was not until after they had reached Yanan that they had the opportunity to thoroughly deal with the three unhealthy "styles" through the rectification movement on the basis of raising the party's Marxist-Leninist level. The rectification movement unified the whole party ideologically. To begin with, it unified the party cadres' ideology and understanding. Mao Zedong Thought became the party's guiding ideology and the banner for the victory of the people's revolution. The rectification movement laid the political foundation and provided the ideological guarantee for greeting the convocation of the seventh national party congress, winning a victory in the war of liberation, and achieving nationwide liberation.

It is quite obvious that, without a correct style of study, subjectivism will run amuck; without a correct party style, sectarianism will harm our party; and without a correct style of writing, stereotyped party writings will be able to incite and create trouble. Should these actually prevail, the Yanan spirit will not be able take shape and spread. Thus, Comrade Mao Zedong said that these three unhealthy styles were "arch-enemies that must be toppled." He put special emphasis on the need to integrate Marxism-Leninism with the concrete practice of the Chinese revolution, promoted the work style of seeking truth from facts, and wrote an inscription bearing the characters "seeking truth from facts" for use as the CPC Central Committee Party School motto. It was with this spirit that the Yanan rectification fulfilled its great historic mission.

Under the current changing international situation, the universal promotion of the study of Marxism-Leninism-Mao Zedong Thought will be of great practical significance in improving the party members' quality and purifying party ranks. We are now a big ruling party

with over 50 million members, a large number of whom are new members who joined the party during and after the "Cultural Revolution." Many of these new members have not received any systematic education in Marxism-Leninism-Mao Zedong Thought, and have not fundamentally remolded their world outlook. It is understood that some party members have not read "The Communist Manifesto," or the CPC Constitution, for that matter. Even among party members who joined the party before the "Cultural Revolution," including some veterans who joined the party decades ago, many have slackened their study of Marxism-Leninism-Mao Zedong Thought and their ideological remolding. During the turmoil and counterrevolutionary rebellion of 1989, many party members became involved. It is thus not surprising that some party celebrities actually agitated for bourgeois liberalization, and became the behind-the-scenes plotters of turmoil and rebellion. Such a state of affairs was obviously not in keeping with our arduous task of unswervingly implementing the party's basic line in an overall way and promoting economic construction. With this situation in mind, Comrade Jiang Zemin raised the call at the meeting marking the 70th anniversary of the CPC's founding that we must strictly run the party, resolutely overcome unhealthy practices and corrupt phenomena in the party, and improve the quality of party members in an overall manner. This was a call of immense significance. It must be pointed out that the present state of our party is indeed very worrying. "The party not minding its own affairs" and the slackening of the party's ideological and political work still exist in varying degrees. Some party cadres act high and mighty, with many attendants crowding around. Some refuse to listen to differing views and are opinionated. They practice "what I say goes" and even regard their words as law. Doing things according to one's own personal likes and dislikes, viewing cadres as either completely good or completely bad, and other practices of ignoring the party's democratic centralism and the mass line are not new. Some party cadres have even lost their Jinggangshan and Yanan spirit. They think that Comrade Mao Zedong was being behind the times in urging us to learn from Lei Feng and Jiao Yulu. They have lost the spiritual pillar of Marxism-Leninism and the communist ideals. Some of them have even fallen into the abyss of bourgeois liberalization and the quagmire of money worship. They abuse their power for personal gain, practice graft, take bribes, and become decadent and corrupt. Some have even embarked on the despicable road of turning traitor to the party and the nation. All these are the result of not having truly mastered Marxism-Leninism and fostered the communist world outlook, and having forgotten the experience and lessons of history. From this we can see the importance of further studying and mastering Marxism-Leninism-Mao Zedong Thought and further carrying forward the Jinggangshan and Yanan spirit.

Comrade Deng Xiaoping emphasized a long time ago that we must "publicize, restore, and carry forward the

Yanan spirit." The party Central Committee also repeatedly called on all party cadres to uphold the four cardinal principles and set an example in promoting clean government. Thus, we must further carry forward the Yanan spirit, spare more efforts to study Marxism-Leninism-Mao Zedong Thought and learn to use the Marxist-Leninist stand, viewpoint, and method to observe and handle problems. Only in this way can we comprehensively and accurately understand and put into practice the theory of building socialism with Chinese characteristics, implement the party's basic line in an overall manner, promote socialist material and spiritual progress, and realize the great strategy of "three-step" development.

#### **Yanan Rectification Movement and Cultivation of Party Spirit, by Chen Yeping [7115 6851 5393]**

Fifty years ago, in February 1942, Comrade Mao Zedong delivered the reports "Rectify the Party's Work Style" and "Oppose Stereotyped Party Writing" at the ceremonies marking the opening of the Yanan Central Party School and the Yanan cadres' meeting respectively. Subsequently, the rectification movement was extensively launched in the party. The past 50 years have seen world-shaking changes in the domestic and international situations. Today, studying again these two articles and the one entitled "Remold Our Study" is like having a reunion with old friends while making new acquaintances. Each sentence is a famous maxim and each word is a gem. I have gained new insights through restudying these old articles. As I reflect on the past in the light of the present, all sorts of feelings well up in my mind.

The Yanan rectification was a universal Marxist-Leninist education movement. Its task was to "oppose subjectivism to rectify the study style, oppose sectarianism to rectify the party's style, and oppose stereotyped party writings to rectify the writing style." "Both the study and writing styles are the party's work style; they are the party's style." The rectification movement greatly raised the party's Marxist level; enhanced the party's awareness in implementing the party line; strengthened the party's unity, regulated the party's steps; and developed in the party the work style of integrating theory with practice, maintaining close ties with the masses, and unfolding criticism and self-criticism. In short, the rectification movement made the party more unified ideologically, stronger politically, more consolidated organizationally, more pure in work style, and more powerful in its fighting capacity, thereby laying a solid foundation for the subsequent defeat of Japanese imperialism and the overthrow of the Kuomintang's reactionary rule.

The Yanan rectification was a great pioneering move in party building. It summed up the experience of the ideological struggle in party history, forwarded the correct policy of "learning from past mistakes to avoid future ones and curing the sickness to save the patient," created the effective method of study based on the

integration of theory and practice, and made an important contribution to the Marxist-Leninist theory of party building.

In another sense, the Yanan rectification was a universal education and tempering of party spirit. Comrade Mao Zedong pointed out that subjectivism is a manifestation of impurity in party spirit. "Only when subjectivism is eliminated will it be possible for Marxist-Leninist truth to gain ground, for party spirit to be consolidated, and for the revolution to triumph." "Both dogmatism and empiricism are subjectivist ideas." "Sectarianism is the manifestation of subjectivism in organizational relations." "Stereotyped party writing is the sink of iniquity; it is a form of expression of subjectivism and sectarianism." Thus, subjectivism, sectarianism, and stereotyped party writing all represent impurity in party spirit. These famous Mao Zedong sayings not only expounded the meaning of party spirit, but told us that raising the Marxist-Leninist theoretical level is the key to the enhancement of party spirit.

The current situation is quite different from what it was in the Yanan days. In the new historical period of socialist modernization, the trials confronting each and every Communist Party member are more severe and complicated than during the war years. Life was difficult during the war years. At times they were even required to shed blood and lay down their lives. But even those who were once considered heroes have been unable to withstand the sugar-coated bullets. Today, the great majority of our party members and cadres have grown up in a peaceful environment. In the face of this dazzling world with its myriad temptations, this war without the smoke of gunpowder, some of our party members and cadres will sink helplessly into the quagmire unless they heighten their vigilance and maintain a firm stand.

Our party is now faced with the tests of governing the country, reforming, opening up to the outside world, and developing the commodity economy, as well as the test of fighting peaceful evolution. The party Central Committee with Comrade Jiang Zemin as the nucleus has emphasized time and again the importance of stepping up the tempering of party spirit in tackling these three tests. Each and every party member and cadre, particularly senior cadres, must conscientiously implement this decision. The three tests are three furnaces. Those who can withstand the tempering will emerge as steel and real gold, while those who cannot withstand the tempering will become dregs. As the ruling party, we are vested with particular functions and powers by the people. Shall we wholeheartedly serve the people and honestly play our role as public servants, or shall we act the high and mighty official, ride roughshod over the people and lord it over others? Shall we put the interests of the party and the people above everything else, and subordinate personal interests to the interests of the party and the people, or shall we put personal interests above everything else, abuse our power for personal gains, and feather our own nest at public expense? This is our first test. We adhere to the party's basic line, that is, taking economic construction as the central task, upholding the

four cardinal principles, and persevering in reform and opening up to the outside world. Comrade Deng Xiaoping once made the following analogy about the reform and open policy: When we open the window, fresh air comes in, but so do flies and mosquitoes. Fresh air is, of course, good for our body. The question is how to deal with the flies and mosquitoes. Should we take precautions and fight and eliminate them, or should we let them have their own way and run amuck, or even become one with the flies and mosquitoes in inflicting disasters upon the nation and the people? This is the second test. Imperialism is bent on subjugating our country. After some socialist countries were subjugated by peaceful evolution, hostile Western forces have gradually turned the spearhead of peaceful evolution against China, trying to infiltrate, corrode, and subvert us from the ideological, political, cultural and livelihood fronts. At the same time, some people who stubbornly cling to the stand of bourgeois liberalization at home willingly act as yes-men for outside enemies, collaborating from within with forces from without in their vain attempt to destroy our socialist system. This is a protracted, acute, complicated, and life-and-death class struggle. How should our Communist Party members hold themselves before this struggle? Should they heighten their vigilance, make a clear distinction between right and wrong, maintain a firm stand, and meet the challenge calmly, or should they be apathetic, unable to distinguish right from wrong, always waver from side to side, and turn a blind eye to what is happening around them? This is the third test.

What do these three examinations test? They mainly test whether our party spirit is pure and strong. The Communist Party's party spirit is the most supreme and concentrated expression of the proletariat class nature. As far as individual party members are concerned, party spirit refers to the concentrated expression of political integrity, ideological consciousness, organizational concept, and work style on them. Pure and strong party spirit is not born. It has to go through a process of education, self-cultivation, and tempering. It is also impossible to put things right once and for all. In addition to education provided by the party organization and the assistance provided by comrades, the strengthening of a party member's party spirit mainly depends on conscious self-cultivation and arduous tempering. Only in this way will it be possible to attain perfection.

How should we go about cultivating and tempering our party spirit? In my opinion, the most effective method is the Yanan rectification method. Yanan rectification involves many concrete methods. I wish to cite some of the more important methods. First, we must embrace a correct attitude in remolding our ideology. A great task of we communists is to remold the objective world while remolding our own subjective world to achieve unity between subjective understanding and objective reality. The remolding of our subjective world is a lifelong endeavor. We must have the spirit of "one is never too old to learn and remold oneself." Our aim in studying Marxism-Leninism-Mao Zedong Thought is not just to increase



our knowledge. The important thing is to remold our thinking. Second, we must stick to the method of seeking truth from facts, integrating theory with practice, and unfolding criticism and self-criticism. We must truthfully present the reality of our own work and thinking; conscientiously analyze them according to the Marxist stand, viewpoint, and method; affirm the achievements; find out the shortcomings; analyze the causes; and sum up experience. In other words, we must use the "arrows" of Marxism to shoot at the "targets" of our own reality.

Third, we must adhere to the policy of "learning from past mistakes to avoid future ones and curing the sickness to save the patient." We must try to resolve inner-party contradictions and contradictions in people's thinking through rectification. We must adopt the attitude of helping others and curing the sickness to save the patient. Our objective is to learn from past mistakes to avoid future ones, to achieve unity-criticism-unity. We must not "exaggerate others' mistakes to the maximum," or resort to "ruthless struggle and merciless blows."



## GENERAL

**Economists Speak on Reform at Symposium**

92CE0443A Beijing JINGJI RIBAO in Chinese  
7 Apr 92 p 3

[Article by Xue Xiaohe (5641 1420 0735): "Specialists and Scholars Give Their Views on Reform and Opening at a Symposium on Theory Sponsored by GAIGE Magazine"]

[Text] The resolutions passed at CPC Central Committee Politburo sessions and the important speeches made by Comrade Deng Xiaoping on his tour of southern China have stirred up throughout China a new wave of reform, to which economic theorists have quickly responded. On 14-15 March 1992, over 30 economics specialists and scholars took part in a symposium on theory sponsored by GAIGE magazine on "Speeding up the Pace of Reform and Opening, and Building Socialism With Distinct Chinese Characteristics," at which all spoke out and "a hundred schools of thought contended."

A dozen years of reform and opening have apparently had a great impact in sobering up these economics specialists and scholars. Their statements show that they have come to understand that, in order to push ahead with reform, it will be necessary to endeavor to eliminate all ideological obstacles, while taking care to act correctly and avoid detours. Thus, they have listed the current urgent tasks for economists as clarifying ideas, building confidence, setting clear directions, improving methods, and planning applications.

Many specialists and scholars pointed out in their statements the following: The first thing to be done is to take stock of ideas. Freeing up of thinking is a long process that has and will run throughout reform. Deep-rooted "left" ideas and theories and their widespread impact must not be underrated. Our dozen years of reform experience show that without the freeing up of ideas in the initial stage of reform, it would have been impossible to achieve such enormous reform and opening successes and, without a further freeing up of thinking, it will be hard to consolidate the reform and opening achievements that have been made, and even harder to speed up the pace of reform and opening. Only by continuing to free up our thinking can we further weaken the influence of inflexible ideas, reduce resistance, keep the debates that have already been basically resolved from recurring, and have enough energy to push forward with reform.

Some comrades pointed out the following: Since the Third Plenary Session of the 11th CPC Central Committee in 1979, there have been many resurgences of "left" ideas. Theoretical confusion has often caused reform and opening hesitation and missed opportunities. For instance, while certain basic theories and policy slogans on reform and opening have been recorded in party resolutions, some people remain suspicious and vacillating about them. A host of economic data shows that certain misleading arguments have distorted reform

concepts and left cadres and the public with no guidelines. Unless we make a great effort to clarify this ideological confusion and take a correct line, it will be impossible to truly speed up reform and opening.

When discussing the nature of socialism with distinct Chinese characteristics, some specialists and scholars made the following remarks: The greatest characteristic is our correct and balanced handling of the interrelations between socialism and capitalism. While adhering to the premise of the dominance of the socialist road and a state-owned economy, we allow nonstate-owned components, including capitalist ones, to exist and develop within certain bounds, and exploit certain capitalist management patterns and methods. Our theoretical basis for correctly handling the relations between socialism and capitalism is in our theories on the initial stage of socialism and a socialist commodity economy. Other economists emphasized the following: The Third Plenary Session of the 12th CPC Central Committee drew the inference that a socialist economy was a planned commodity economy based on public ownership, which was of epoch-making significance. This basic socialist economic system option by Chinese Marxists discarded the traditional idea that a socialist economy could be only a centrally-planned one, and marked a great advance for scientific socialism in China. This is the key implication of socialism with distinct Chinese characteristics.

Other economists made the following comments: Reform is absolutely not simply certain fine tunings or routine changes, but rather a revolutionary transformation of our economic system based on improving and developing our socialist orientation, in order to basically change our traditional economic system and liberate the productive forces whose development it was hampering. Such a transformation may require decades to accomplish. Only such an understanding of the nature of reform can make us bold enough to achieve this fundamental transformation of our economic system.

All of the participants in the symposium presented positive master-plans and made many recommendations for future reform. For example, some economists noted the need to organize and guide certain minor related reforms, by arranging an order of succession in which to carry them out. For instance, enterprise reform should be coordinated with related price reform, employment reform should be coordinated with related social insurance reform, and enterprise wage distribution reform should be coordinated with related self-restraint forces reform. Other economists noted that in certain regions, along with focusing on invigorating large and mid-sized state-owned enterprises, we should take key steps to quickly invigorate the economy, by easing policies to expand collective, individual, and private industry, commerce, and service trades. Yet other economists recommended the rapid drawing up of laws and decrees, such as a PRC Limited-Liability Company Law, in order to ensure orderly market operations.

Some economists discussed the importance of correctly handling the relations between reform and growth in the new high tide of reform. They pointed out the following: In order to shrink our gap with developed countries and ensure that China will become a moderately developed country by the mid-21st century, while China will need to maintain a fairly high growth rate for a long time, a faster rate must be based on increased efficiency. As increased efficiency should rely mainly on reform advances and effective operation of the new system, we should remember well the following verdict that was derived from historical experience by the CPC Central Committee in 1985 in its "Proposal for the Drawing Up of the Seventh Five-Year Plan": "Reform should basically serve construction. Current construction plans must contribute to reform." While it would not do to not maintain a certain growth rate to ensure reform success, we must absolutely not use the method of large, increased input to blindly compete and pursue high output value and output growth rates, as long as the framework of the new economic system has still not been initially established, so that efficiency has not yet clearly increased. Only by correctly handling the relations between reform and growth can we avoid confusion in our economic activities, create a good economic climate for reform, and ensure reform success, while achieving sustained, steady, and rapid national economic growth.

The participants in this symposium included Xu Xuehan [1776 7185 1383]; Gong Yuzhi [7895 5148 0037], deputy director of the CPC Central Committee Propaganda Department; Li Chengrui [2621 2052 3843]; Zhou Shulian [0719 0647 5571], director of the Chinese Academy of Social Sciences (CASS) Industrial Economics Institute; Tong Dalin [4547 1129 2651]; Jiang Chunze [3068 2504 3419]; Fang Sheng [2455 3932]; Wu Xiang [0702 6272], deputy director of the State Council Rural Development Research Center; Wu Mingyu [0702 2494 3842], deputy director general of the State Council Economic, Technological, and Social Development Research Center and member of the board of directors of the CITIC Institute for International Studies; Li Yining [0632 0110 1337]; Wei Xinghua [5898 5281 5478]; Shao Zhuoji [5131 3504 1015]; Dong Fureng [5516 6534 4356], vice chairman of the NPC Financial and Economic Committee; Wang Haibo [3076 3189 3134]; Zhao Renwei [6392 0086 0251], director of the CASS Economics Institute; Luo Zhaohong [5012 5128 7703]; He Wei [0149 0251]; Zang Zhifeng [5258 1807 7685]; Mao Tianqi [0379 1131 0796]; Ma Jiaju [7456 1367 7467]; Zhang Zhuoyuan [1728 0587 0337], director of the CASS Finance, Commerce, and Commodities Institute; Tang Fengyi [0781 0023 5030]; Zhong Pengrong [6988 2590 2837]; Fan Gang [2868 4854]; Zhu Tiezhen [2612 6993 5271]; Zhang Wenbao [1728 2429 1405]; and Fang Gongwen [2455 1872 3306], deputy editor in chief of GUANGMING RIBAO. Yu Guangyuan [0060 0342 6678], member of the CPC Central Committee Central Advisory Commission; Gao Shangquan [7559 1424 0356], vice minister of the State Restructuring of the Economic System Commission; Yang Qixian [2799

0796 0341]; Dai Yuanchen [2071 0954 2525]; and Guo Shutian [6753 2579 3944] submitted written statements. Jiang Yiwei [5592 0001 5517] and Wu Jinglian [0702 2417 8834] chaired the symposium as editors in chief of GAIGE magazine.

## SOVIET UNION

### Articles Review Monetary Markets, Bond Sales

92CE0473A Beijing JINRONG SHIBAO in Chinese  
30 Apr 92 p 1

[Article by staff reporter Wei Zhaogui (7614 0340 6311) in special column "Monetary Market Scan—One": "Capital's 'Securities Craze'"]

[Text] *Editor's note: Spring returns to the earth, and the revolutionary tide rises. Finance, stocks, and bonds—these new concepts—accompanying the genial spring breezes, fly, like spring swallows, into the common people's homes. Amid the pattering of spring rain, on the Shanghai Bund a "long dragon"—long line—several kilometers in length is formed to buy stocks. After suddenly warming up, the weather turns cold again, and on the streets of Beijing many people gather to buy "Yadu" securities. In the "Spring City," Kunming, where there are fresh flowers all year round, a major wave of bond buying surges. In the bookstalls of some large cities, introductory books about stocks and bonds are becoming bestsellers...*

*The opening up and development of monetary markets is one of the key points in this year's reform of the financial system, and is also a central issue of concern for the common people. From today on, this newspaper will carry a special column entitled "Monetary Market Scan," which will publicize policies, introduce experiences, report trends, and publish typical cases in order to better promote the development and perfection of monetary markets.*

Spring has come to Beijing, and an "upsurge in securities" is appearing in this thousand-year-old capital. Before dawn on 20 February, a piercingly cold wind swept through Beijing, and approximately 500 people rushed to Beijing's International Trust and Investment Corporation to buy "Yadu" bonds. By 4:00 PM, 5 million yuan worth of these bonds had been sold.

On 20 March Beijing's Investment and Construction Corporation issued 25 million worth of bonds, and more than 1,500 people from all quarters poured out to buy them. By the next day all of the bonds had been sold.

On the first day that "Pudong bonds" came to the capital, a "long dragon" formed in front of the door of the Construction Bank's Securities Office located in Xidan, thereby causing an unexpected scene on Chang'an Avenue...

In the eyes of many people in the capital one or two years before, buying state treasury bonds was one's duty to the country, and the bonds had to be apportioned. These

people were unfamiliar with the bonds issued by enterprises. It is no wonder that figures prominent in journalistic circles who had lamented the poor financial consciousness of the Beijing people cried out a year ago: The financial consciousness of the Beijing people has been greatly strengthened.

This is really true. I understand that, last year, Beijing Municipality tried out the method of issuing state treasury bonds for contract sale and purchase for the first time, thereby releasing part of the state treasury bonds to the monetary markets. A situation of unprecedentedly "hot sales" appeared. A total of 3.7 billion yuan of state treasury bonds were issued, six times more than in the year before. Respectively, 400 million and 470 million yuan of enterprise and state investment bonds were issued. This year, since five-year state treasury bonds went on the market on 1 April, there has been an endless stream of bond buyers at the municipality's more than 700 monetary and financial selling points. Now, about 1 billion yuan worth of bonds have been sold, a figure that is over 80 percent of the bonds issued. Once spring began this year, enterprise bonds flourished. Seventeen enterprises have issued 103 million yuan worth of bonds, which public issues had a total worth of 71 million yuan. The number of enterprises that have applied to issue bonds has increased to more than 30. Authoritative sources estimate that the number of enterprise bonds issued this year will be four to eight times the number issued last year.

At the same time, some enterprises, especially local people-run high scientific and technological enterprises, collective enterprises, and township-town enterprises in the new technological development zones, see the issuance of bonds as an effective measure for opening up and widening the channels for mixing funds. The general manager of the Yadu Corporation said: "To enhance the sense of urgency and promote the better use of current funds, in Beijing we have asked countless households to be our corporation's bondholders and to pay close attention to our corporation's development." Beijing's financial departments, which have the duty of serving enterprises and supporting the capital's economic development, have shown a great deal of enthusiasm for acting as agents for the enterprises' bond issues. Liu Changqing [0491 7022 7230], general manager of the Construction Bank's Beijing Trust and Investment Corporation, and Xie Simin [6200 1835 2404], manager of the Securities Department of the Beijing International Trust and Investment Corporation, said that they will only take a limited commission for acting for the enterprises' bond issues, and, looked at from the angle of business returns, it will seem to be a case of "the gain not compensating for the loss," but the bond issues will help more investors to get investment opportunities and will help enterprises develop the economy; its social benefits cannot be underrated. I understand that the Construction Bank's Beijing Trust and Investment Corporation in the first half of this year will put out in succession six kinds of bonds, thereby giving their customers a choice and making the capital's securities markets prosper.

What follows is news from nearly a hundred bookstores of all sizes in the municipality: *Elementary Stock Investment*, *How To Buy and Sell Stocks*, *Stocks Are Knocking at China's Gate*, and other books on stocks are "bullish" in the capital. Recently, a 50-word dispatch in BEIJING WANBAO about the opening of the first securities school in the municipality drew inquiries from people of all quarters, with many signing up to study in the school. Ten thousand Beijing residents have suddenly begun to study stocks. Their purpose is neither to attend a higher school, get a professional title, nor to go abroad, but rather to become a knowledgeable stockholder. I understand that some of these future stockholders have drawn out bank deposits in preparation for investing in stocks at any time, some regularly go to securities departments to seek advice, and some go south to inspect the situation on the spot in preparation for investment and stock buying.

The stock and bond craze among Beijing's resident and enterprise circles, which is increasing every day, is keeping financial departments hopping. Over the past 10 years there have been a series of reforms in Beijing's financial work, and its enterprises have made progress in directly mixing funds. From 1987 to 1991 more than 470 enterprises issued stocks and bonds worth nearly 900 million yuan—but this amount of directly mixed funds is still less than a tenth of the amount of funds demanded by the municipality each year. Under the current circumstances in which the contradiction between the supply of and the demand for funds is becoming sharper and the reform of enterprises is gradually being deepened, the opening up of channels for directly mixing funds is extremely important. Therefore, at the beginning of the new spring this year, at a meeting between bank presidents and corporation managers of the municipality, it was decided to set up and perfect securities markets as a breakthrough point for financial reform. In February the municipality's People's Bank held a forum of some large- and medium-sized enterprises at which it solicited the opinions of the enterprises on stimulating the raising of funds and opening up channels for mixing funds. At the Beijing securities development forum, held in the middle of March, participants made the following appeal: Grasp the opportunity to accelerate the development of the securities markets.

It is reported that in the past several days financial companies engaged in the securities, trust, and investment business in succession called on the Tianlong Co. Ltd., Station Wagon Co. Ltd., Tianqiao Co. Ltd., and Liyuan Co., all of which have adopted the stock system, to give counsel and make commercial reforms in order to put their stocks on the market at the earliest date.

Grasping the opportunity to accelerate the development of Beijing's securities markets is an action which enjoys popular confidence.

### Harbin's Securities Markets

92CE0473B Beijing JINRONG SHIBAO in Chinese  
6 May 92 p 1

[Article by staff reporters Yang Rongxian (799 2837 0341) and Sun Peilin (327 1014 2651) in the special column "Monetary Market Scan—Two": "Smooth Things Are Soundless—Thoughts on Harbin's Securities Markets"]

[Text] "Long dragons" were forming inside and outside the exchange halls, and telephones rang constantly in the managers' offices—this was the scene we reporters saw when we visited several securities exchange organizations in Harbin City, Heilongjiang Province. The spring breezes of reform and opening up to the outside world aroused the financial investment consciousness of the people in the "Ice City," and marketable securities, became very influential and powerful—seemingly overnight.

#### "Bubbling Over"

This year the Heilongjiang Provincial Securities Corporation offered for sale 4.4 million yuan worth of five-year treasury bonds; in only two days they were sold out. A total of 1.7 million yuan worth of three-year state treasury bonds had been sold out in advance. Only 1 million yuan worth of one-year bonds were issued, but the amount bought in advance exceeded 7 million yuan. After receiving us, the first words spoken by corporation manager Li Qingshan [2621 7230 1472] were: "We are 'bubbling over' here." His joy overflowed in his words. Manager Li told us that the various kinds of marketable securities are now extremely "hot." From the time that the corporation was established year up to the end of that year, the total amount of transactions reached 343 million yuan.

#### Loosening Rules

When the spring rains came, very few of them were accompanied by thunder and lightning. With the growth of the "Ice City's" securities markets, an unwitting change occurred in the people's consciousness. Zhao Pengxiang [6392 7720 4382], director of the Financial Management Department in the Heilongjiang Provincial People's Bank, told us: In 1990 the quota of mixed-funds securities authorized by the state for Heilongjiang to issue was 120 million yuan, and even though hard work was done, at yearend only 81 million yuan worth of the securities had been issued. But in 1991 the situation suddenly changed, and 200 million yuan worth of short-term mixed-funds securities were issued.

Clearly stated, the reason was: Rules were loosened. We understand that in Heilongjiang's securities markets the prices of some securities rose and the prices of others fell, and the securities had a bumpy journey. In 1991, however, rapid strides in development were finally made. A securities exchange market has been formed in the province, with the provincial Securities Corporation acting as the "faucet" and with seven securities departments as the basis, and with 129 securities exchange

agencies distributed throughout the province as the network. The exchange prices are being set in a unified fashion; the market quotations are being made public; if a price is excessive, it is corrected by the market—everything has been loosened up. At the end of 1991 the amount of exchange marketable securities in the province reached 1.02 billion yuan, a four-fold increase over that of 1990. The kinds of securities on the market increased from 10 in 1990 to a little over 20. When we visited the Harbin securities exchange organizations, spring's first drizzle assailed our faces. We saw the new securities building and its room, bright exchange hall, which made us think of the poetic line "Smooth things are soundless."

#### Sides of Small Lotus Reveal Sharp Corners

In the "Ice City's" securities market the spring air is pleasant. Department Director Zhao Pengxiang briefed us: In the five years from 1985 to 1990, more than 5,100 enterprises of different types in Heilongjiang Province issued to society and to enterprise internal parts local bonds and short-term mixed-funds bonds that raised a total of 2.85 billion yuan; 2,100 enterprises were propped up and helped to return to regular production and 250 enterprises were enabled to change losses to profits; more than 2,750 enterprises made 890 million in profits taxes; and it is estimated that 1.9 billion yuan in profits taxes could be made in the next three years.

During our visit we pondered: China's securities markets still need to constantly strive to become developed and mature. First, the enterprises that issue bonds have strengthened their consciousness of repaying debt. The greater part of the enterprise bonds now on the market are guaranteed by the government's economic departments, and some enterprises lack the consciousness of taking risks or depend on the state. A cement plant in a certain county, embarked on a project but had a major shortfall of funding. When repaying the old debt on the second issue of new bonds last year—worth 50 million yuan—it filled out a report form as follows: In the future we will no longer issue new bonds. The future, after all, is unknown. Second, the securities market mechanisms await further perfection. There is a particular need to study and to come up with, as soon as possible, an investment law, a corporation law, and an enterprise law in order to protect the lawful interests of investors.

In Harbin, which is described as "cold," more and more securities investors are eyeing Shenzhen and Shanghai, and people in the securities business are putting out "feelers" to Shanghai and Shenzhen in the hope of accelerating financial system reform.

#### Kunming's Bonds Craze

92CE0473C Beijing JINRONG SHIBAO in Chinese  
7 May 92 p 1

[Article by staff reporter Cheng Shihao (453 0013 6275) in the special column "Monetary Market Scan—Three": "Kunming's Bonds Craze"]

[Text] Over the past several years, Kunming has issued a good number of local enterprise bonds, and the enthusiasm of urban and rural residents for buying bonds is rising constantly, but its fever and force cannot be compared to the recent scene.

On 1 April the first group of local enterprise bonds issued in Yunnan in the Year of the Monkey were put on the market in the provincial city of Kunming. This batch was issued by the Lanjian Motor Vehicle Plant, a large enterprise in Yunnan. Their total worth is 29 million yuan; their annual interest is 10.05 percent; their term is three years; and the funds raised are used for the technological transformation of this plant. The selling points for this bond issue are the Yunnan Provincial Securities Corporation and five trust and investment organizations.

On the morning of 1 April, people bustled around the entrance to the Yunnan Provincial Securities Corporation as more and more people gathered to buy bonds, and those who could not do so surrounded the iron-railed door of the corporation's selling point like an impassable sea of people. Among them, some had seen advertisements in newspapers and on television and had made a special trip there; others had made on-the-spot inquiries and had just joined the crowd. There were men and women, young and old, and people from all walks of life. Those with a strong "fighting force" came from the rear and stood at the front; those who were old and frail withdrew to the "second line." "Where there is injustice there will be an outcry." After a burst of noise, several organizers emerged from the throng. They wrote numbers on slips of paper and, in the sequence of the numbers, formed the people into a line. The Public Security Department of the Yunnan Provincial People's Bank also dispatched several armed police to help maintain order.

The "appetites" of the buyers were not the same. Some bought a hundred yuan worth or several hundred yuan worth; some bought thousands of yuan worth; and the biggest buyer bought 120,000 yuan worth. Because there were too many bond buyers, several comrades who were selling the bonds had to change shifts in order to eat lunch. By the afternoon they had to extend their business operation nearly an hour, and still many buyers did not want to leave. Because they had stood in line all day and were still unable to buy bonds, two women broke into tears. Before going off work the comrades selling the bonds had to hang up a signboard with the notice: "Tomorrow each person is limited to the purchase of ten thousand yuan or less worth of bonds."

At about 4:00 AM on 2 April, there was a flurry of excitement at the entrance to the Yunnan Provincial Securities Corporation. On foot and by car, in twos and threes, people came in an endless stream. Upon inquiring, I found that several of them had gone without sleep all night and had waited here since 9:00 PM on the first day. I asked them why they had come so early, and their reply was: "We heard that there are not many bonds left, and if we came late we were afraid we wouldn't be able to buy any. Anyhow, we stayed up all

night for this business. By buying bonds we can get a return or can plan to get a return ..."

By 8:00 AM a long line of several hundred people had formed at the entrance to the securities corporation. Some people brought packages or newspapers to sit on; and some, because they carried a fairly large amount of money, feared for the money's safety and took several fellows from their home with them to guard it. Being hungry, some of them ate "field rations" that they had brought with them, and some of them sent family members to buy steamed stuffed buns and pastry. Looking at this "long dragon" in which people were eating while lining up to buy bonds, some of the passers-by and onlookers whispered: "This is truly a case of spending money to buy trouble!" Others said with envy: "There are really quite a few wealthy people here!" Still others commented: "In past years there has been a stock craze in Shenzhen and Shanghai, and many people have made great fortunes. We in Kunming now have no stocks, the interest on bank deposits is falling, and protected-value savings deposits have been liquidated. We are forced to buy some bonds to get a little more interest. We hope some stocks will be put on the market in Kunming. That would be just the ticket! ..."

In only two days 29 million yuan worth of bonds were sold out in Kunming. Those who had bought them were naturally happy as they calculated how much interest they would get after three years; those who had not yet bought bonds were bound to sigh discontentedly and grumble that there were not enough available.

After the securities corporation sold out all its bonds on the afternoon of 2 April, a good many customers still surrounded the corporation and would not leave in the hope that some more bonds would be sold to them.

This first batch of bonds sold at the beginning of spring in the Year of the Monkey caused an upsurge in Kunming. What will be the next act in this play?

### Shenyang's Monetary Markets

92CE0473D Beijing JINRONG SHIBAO in Chinese  
11 May 92 p 1

[Article by staff reporter Ma Chunshan (456 2504 1472) in special column "Monetary Market Scan—Four": "Shenyang: Exploring Secret of Long-Term Flourishing of Bond Market Without Decline"]

[Text] If there is a public bond issue in Shenyang at this time, once the bonds are put on the market, "long dragons" will form in front of financial organizations. To be able to buy bonds at will, many people formed lines a little after 5:00 AM, and the 20 million yuan worth of enterprise bonds were sold out in about three hours. Why does the bond issue market flourish for a long time without declining? Cui Runjiang [1508 3387 3068], director of the Financial Management Department of the Shenyang City People's Bank, revealed the "mystery" of this to me.

First, the scale of the issue is set rationally and is based on the market's capacity. In 1988—under the circumstances of China not having a unified plan for enterprise bond issues—the Shenyang City People's Bank, in line with the situation in the city's funds supply and demand, on the basis of ensuring that the credit plan and savings deposit task sent down from the state were fulfilled, conscientiously studied the amount of income of, and currency held by, the urban and rural residents, and formulated a social credit plan and incorporated the issuing of enterprise bonds in the plan, thereby both meeting the demands of enterprises and investors and guaranteeing the fulfillment of the city's credit plan. In 1987, the state began to formulate an enterprise bond plan, and Shenyang's bond issues were always strictly controlled in the plan. At the same time, during the formulation of the plan, it, based on the market's capacity, rationally arranged the amount of the monthly issue and the intervening time, thereby ensuring that the enterprise bond issue, from first to last, was carried out under a control that was planned, limited, scaled, scheduled, and rhythmic; and that the urban and rural savings deposits were not affected by the bond issue, and the scale of fixed assets was not expanded because of the issue.

Second, based on the relationship between supply and demand on the market, the bond prices were determined rationally. Before the 1991 interest rate was adjusted, in accordance with the state's stipulations, the interest rate on local enterprise bonds and on enterprise mixed-funds bonds could be higher than the same-time limit fixed savings deposit interest rate of 40 percent, in order to arouse enthusiasm for investment on the part of those holding currency. Following the constant heating up of the development of the bond market and the "bond craze," they, based on the relationship between supply and demand, determined the price of the enterprise bonds issued. Over the past two years, the interest rates on the two bond issues were controlled at an upward float of about 20 percent, and, at the lowest, an upward float of less than 17 percent, thereby lightening the burden on the enterprises. This in itself can save the enterprises more than 10 million yuan in interest outlay in a year.

Third, in line with the growth of the market, the mode of issuance was flexibly determined. First, interest and premiums were integrated, with a gradual development toward interest. Issues with both interest and premiums suits the psychology of some of the masses who have "little money" and who want to be able to make a "big fortune." At the beginning the premiums were large and the interest was small, and the masses were very enthusiastic about buying bonds; later, in line with the characteristic that the people's psychology of protecting value had been enhanced, there was a corresponding change in the mode of issuance, and when there was an issue with both interest and premiums there was more interest and less premiums. A point was made of expanding the scope of medium-term premiums while reducing the amount of money in them, and—even

though there was no medium-term premium, such as savings deposits—the bonds could bear interest. Thus the enterprise bonds became "hot items." Second, public collection and private collection were integrated. Compared to public collection issues, private collection is more suitable for the organization investor and for the mixing and circulation of funds across regions. In this way not only did the enterprises save a great deal of issue expenses, but also nearly 200 million yuan were pumped into Shenyang from outside. Third, the short term and the long term were integrated. To meet different demands, the time limits for bonds issued by Shenyang City ranged from six months to three years, thereby both effectively using the issue quotas and basically meeting the demands of project construction.

Fourth, the financial legal system has been perfected, thereby further strengthening market management. Over the past several years, Shenyang City has continued to formulate "Provincial Measures for Shenyang City's Stock and Bond Management," and a number of other laws and regulations, thereby basically bringing about a situation in which there were rules to follow and the healthy development of the bond issue market was ensured. At the same time, the management of the examination and approval of enterprise bonds was tightened, the management of the risk of enterprise bonds was strengthened, the credit evaluation system and organization management were maintained, and trade associations were established, so that the capability for self-restraint and self-ruled management of the securities industry was greatly enhanced.

An official of the Financial Management Department of the Shenyang City People's Bank happily told me: Because a series of measures were taken to promote the healthy development of the bond issue market, the Shenyang securities market has increasingly flourished and prospered. Now, even though more than a hundred enterprises in the city have issued more than 2 billion yuan worth of bonds, and also have encountered a production downslide, "triangular debts," and other difficult problems without a single enterprise postponing the time limit for repayment of capital with interest, thereby ensuring the good credit of enterprise bonds.

#### Luoyang's Monetary Markets

92CE0473E Beijing JINRONG SHIBAO in Chinese  
18 May 92 p 1

[Article by Sui Xinluo (131 2450 3157) and Li Jianghua (621 3068 5478) in special column "Monetary Market Scan—Five": "Visible Exchange, Invisible Competition—Sidelights on Luoyang's Securities Exchange Meeting and Funds Short-Term Borrowing Meeting"]

[Text] Springtime in Luoyang. Warm and sunny weather. The fragrance of flowers gladdens the heart and refreshes the mind. But in the sixth floor conference room of the Luoyang City People's Bank, Henan Province, there is another scene: From 15 provinces and cities

in China, 44 jobbers of 27 securities corporations and representatives of 14 monetary markets have gathered here. In an intense and lively atmosphere they await the beginning of a unique exchange meeting. One bond prospectus after another is quickly put on the table, and, in accordance with the principle of "priority in time and priority in price," is handed to the exchange director. At 9:40 AM the conference room is hushed. Then the exchange director, Zheng Zhongdi [6774 6850 0966], announces the first transaction:

"The Zhengzhou City Securities Corporation offers for sale 3 million yuan worth of 1987 state bonds. The selling price is 149.20 and the earnings rate 2.76 percent. Let the bidding begin!"

"The Jiangsu Joint Trust and Investment Corporation will buy the lot at 149," "the Beijing Municipal Securities Corporation bumps the price up one unit," and "the Jiangsu Joint Trust will buy the lot at 149.30." The Jiangsu Joint Trust and Investment Corporation raised its quoted price several fold, and it looked as if the corporation was determined to get the bonds at all cost. The room fell silent except for the timekeeper's call "30 seconds, 10 seconds ..." Then a "rap" was heard as the women director knocked down the "first hammer" at the exchange meeting. The entire room broke into thunderous applause.

"Next the Luoyang City Securities Corporation offers for sale 1 million yuan worth of 1991 state bonds with a selling price of 109.20. Let the bidding begin." Another transaction got underway.

"The Trust and Investment Corporation of the Xi'an Industrial Bank will buy the lot at 109.20"; "The Dalian Trust bids 109.25"; "The Shijiazhuang Communication Bank adds five fen"...

Finally the Kaifeng monetary market reported that an asking price of 109.55 had clinched the deal.

In the exchange hall, the transactions were extremely lively, and the competition in quoted prices became more and more fierce. At the same time, several telephone exchanges and facsimile printers in the offices on the fifth floor became busy. People constantly came and went as they made long-distance calls, after which they hurried back to the hall to make deals. Some jobbers even temporarily "clasped Buddha's feet"—made hasty last-minute efforts—and hastily transmitted back from their homes deals on prices to the higher exchange or to the Beijing Securities Exchange's automated price quotation system. After "knowing the enemy and knowing themselves," they went to the hall and engaged more fiercely in the bidding.

The transactions continued until 4:20 PM, when in the hall it was reported that "the Nanjing Communication Bank offers for sale 20 million yuan worth of 1992 state bond futures," to be paid on 10 July, with a selling price of 103.30. In the hall there was a brief awkward silence. In futures transactions, the price quotations tend to be

high, and the jobbers lowered their heads and intensely made calculations and comparisons. After 30 seconds someone bid 102.70. Several rounds of bidding passed. After the price reached 103.10, there was another awkward silence as the entire exchange hall fell silent, with only the calm, impartial voice of the timekeeper echoing in the hall. In the final five seconds, just as the director took up the hammer in preparation for announcing that no deal had been made, someone in a high voice made a bid: "The Dalian City Trust will buy the lot at 103.30!" His bid was received with raised eyebrows as the hall burst into an uproar. Everybody stretched his neck to look at him. Even the provincial and city leader Zheng Jinwei [2973 5992 0604], who sat in the distinguished visitors section, could not help getting up to look. Obviously, this was the biggest transaction at the exchange meeting, and was also the futures with the longest time limit and the highest price. Instantly someone commented: "The Dalian Trust is truly a large outfit; if they don't bid there's an end to it, but, once they do, they make a big splash." Another man shook his head: "Buying at such a high price—I don't know whether they can stand it."

Afterward we sought out a representative of the Dalian Trust and Investment Corporation. This 26-year-old lad jocularly replied: "Everyone thinks this price is too high, but we disagree. In securities quotations, there is one situation and then another. Although this transaction was somewhat on the high side, we will certainly not lose money on it; the only question is whether there will be more profit or less profit. Backing up a bit, even if there would be some loss, it wouldn't matter, because this is our first trip to Luoyang. We have never before had dealings with jobbers in Henan. This transaction is the first of several, and it expands our influence and makes us better known. This is enough for us, so what need is there 'to haggle over every ounce?'" His words showed this jobber's shrewdness and intelligence.

This exchange meeting was jointly organized by the Henan Provincial People's Bank and the Luoyang City People's Bank. The total worth of its transactions was as high as 450 million yuan. In synchronization with the securities transactions, there were short-term borrowing activities, which were also quite lively. There was a total of 67 short-term borrowing transactions with a total value of 1.04 billion yuan, among which the futures were worth 721 million yuan and currents 319 million yuan.

## Securities Markets Status, Prospects, Pitfalls

### Securities Markets Surveyed

92CE0317A Hong Kong TANG TAI [CONTEMPORARY]  
in Chinese No 11, 15 Feb 92 pp 38-43

[Article: "An Overview of China's Securities Market"]

[Text] China issued bonds on several occasions back in the 1950's. Examples include the "People's Victory



Price-Indexed Payment Government Bonds" of 1951, and the economic construction bonds that the central people's government issued from 1954 through 1958. For ideological reasons, however, the Chinese Communists abolished their securities ventures, and considered "having neither domestic nor foreign debt" an honor.

#### **Reform Leads to Revival of Securities Markets**

As a result of economic system reform during the 1980's, the Chinese communists came to regard the role of securities markets as follows:

First was as a means of raising construction funds to balance the budget through government contracting of national debt, thereby changing the former practice whereby fiscal deficits were handled through bank overdrafts, which led to the pernicious issuance of currency.

Second, enterprises turned to the market for financing as an alternative to the former sole reliance on government and banks, raising capital directly through the issuance of share certificates and debentures. During the 1984-1985 tight money period, in particular, numerous concerns were forced to turn to money markets, thereby setting off the first nationwide fund raising upsurge since the advent of reform and opening to the outside world.

In addition, the pluralization of financial institutions and perfection of the financial regulatory system created a basic climate for the founding and development of securities markets. After 1980, not only were the four large specialized banks resuscitated, but share system banks, multiple-service banks, and a number of non-banking trust corporations, financial corporations, and securities corporations, as well as municipal credit cooperatives were newly founded. The founding of securities market regulatory agencies and the promulgation of a succession of rules and regulations pertaining to the securities market were major events in the formation of Chinese securities markets.

The issuance on 21 April 1988 of a 7 year national treasury bond inaugurated approval for transfers of bond ownership. This development of a secondary market in securities enabled the gradual establishment of China's securities markets.

#### **Regulation of China's Securities Markets**

A three-tier regulatory system is used for the most part in China's securities markets.

#### **Central Committee Establishes Securities Administration Conference**

The first level: The Chinese People's Bank main office forms the main axis of the first level of regulation of China's securities markets, which is made up of State Council ministries and commissions, including the Ministry of Finance, the State Planning Commission, and the State Restructuring of the Economic System Commission.

A financial regulation department has been set up in the Chinese People's Bank with Jin Jiandong [6855 1696 2767] as the incumbent director. This department is in charge of the administration of financial regulation matters. Under the financial regulation department are a No. 1 and No. 2 market office, which are responsible for securities market tasks. Market office No. 1 is responsible for enterprise share certificates, hearings on the issuance of debentures, and examination and approval of the founding of securities agencies. Market office No. 2 is responsible for the issuance of financial securities, and for overall planning and regulation of financial markets.

Since the issuance of and dealings in national debt instruments have a bearing on the debtor relationship between the state and investors, both the State Planning Commission and the Ministry of Finance have a certain amount of regulatory authority over the securities market. Each year the State Planning Commission, in conjunction with the People's Bank, draws up a national securities issuance plan that is based on the national economic development plan. This national securities issuance plan sets forth the uses to which funds raised through the sale of securities will be put, and coordinates securities market development with the overall balance of the national economy. The Ministry of Finance and the People's Bank jointly draw up a state bond issuance plan, market listing and trading plans, and repayment plans. Enterprise issuances of bonds to raise money to use for investment in fixed assets must be examined and approved by the State Planning Commission, which exercises overall control over the expenditure for state assets of all capital raised through the sale of securities. The Ministry of Finance is also responsible for devising securities market financial and tax collection systems. The state-owned assets of enterprises engaged in market trading must be reappraised by national units in charge of state-owned assets.

Enterprise pilot projects run for the purpose of making a change over to a share system must be examined and approved by the State Restructuring of the Economic System Commission, as well as by provincial and municipal commissions and offices for restructuring of the economic system.

It was on this basis that the State Council set up a special State Council Securities (Stock Market) Administrative Conference made up of nine ministries and commissions including the State Planning Commission, the State Restructuring of the Economic System Commission, the Ministry of Finance, the People's Bank, the State Administration of Taxation, the Ministry of Supervision, the State Administration of State Property, and the Urban Planning Office [Shijishu - 1579 6060 5002], and placed Li Guixian [2621 6311 7639], a State Council member and concurrently chairman of the Chinese People's Bank, in charge of it with responsibility to the premier of the State Council. The Administrative Conference studied and formulated pertinent policies based on stock market pilot projects run in Shenzhen and



Shanghai, and it drafted regulations and systems relating to the development, drafting, examination, and approval of securities (stock) markets nationwide. The State Council Securities (Stock Market) Administrative Conference is an extraordinary specialized institution (in the form of a joint conference); however, it is regarded abroad as the supreme decisionmaking level for China's Securities (Stock) Market.

#### **Local Governments Set Up Special Oversight Agencies**

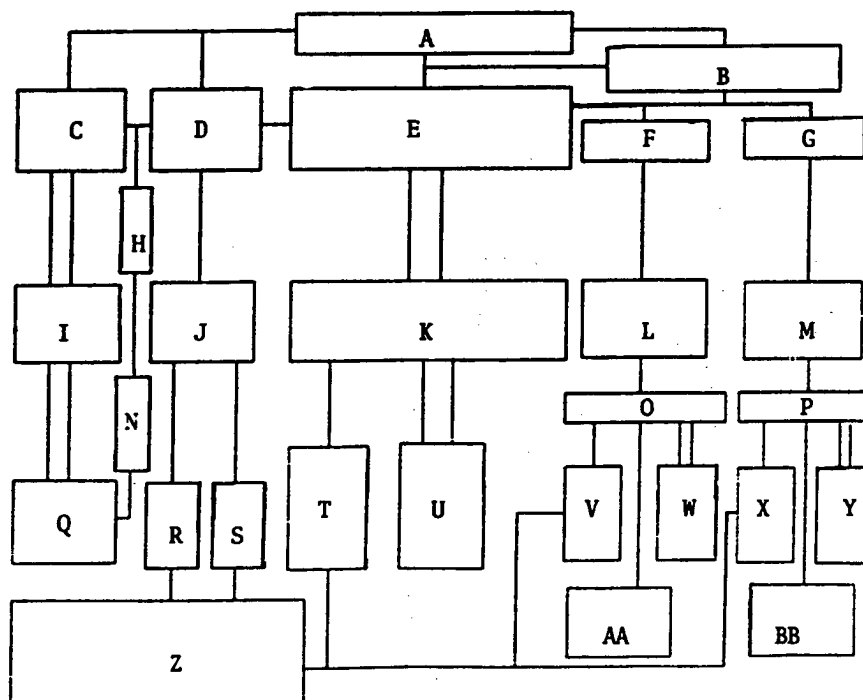
The second level: The People's Bank set up a second level securities market regulatory apparatus in top level branch banks in all provinces, municipalities, autonomous regions, designated cities, and special economic zones [SEZ]. These organs are responsible for supervising, examining and approving, and formulating pertinent policy regulations regarding local enterprises' issuances of stock

shares and debentures, and dealings in securities to ensure the healthy development of securities markets.

To coordinate relations among all units, the government set up special agencies to be in charge of securities markets in the Shanghai and Shenzhen stock market pilot project areas.

The third level: The Shanghai and Shenzhen securities exchanges. Following State Council Approval, the Chinese People's Bank in these two locations set up securities exchanges as substantive regulating and operating mechanisms for the Shenzhen and Shanghai stock markets, which became the third level of China's stock market. Their main functions are regulation of the activities of securities traders and exchange counters. They provide hearings on applications from listing corporations, and they control listing enterprises and organizations dealings in market securities. (For details, see the diagram below).

Organizational Diagram of Chinese Securities Administration



KEY:

- A. State Council
- B. Stock Market Joint Administrative Conference
- C. State Restructuring of the Economic System Commission (Enterprise System Department)
- D. Ministry of Finance (National Debt Administration Department)
- E. Chinese People's Bank (Financial Control Department)
- F. Shanghai Municipal Securities Control Commission
- G. Shenzhen Municipal Securities Control Leadership Team
- H. National State-Owned Assets Control Bureau
- I. Provincial, municipal, and autonomous region government system committees for restructuring the economic system
- J. Provincial, municipal, and autonomous region finance departments (national debt offices)
- K. Chinese People's Bank Provincial and Municipal Branch Financial Management Offices (Financial Administration and Management Offices)
- L. Chinese People's Bank, Shanghai Municipal Branch (Financial Administration and Management Office)
- M. Chinese People's Bank, Shenzhen SEZ Branch (Securities Control Office)
- N. Local State-Owned Assets Control Bureau
- O. Shanghai Securities Exchange
- P. Shenzhen Securities Exchange
- Q. Pilot project enterprises applying for share system reform
- R. Municipal and county government financial securities corporations
- S. Government organization and entrepreneurial unit assessments
- T. Securities corporations, trust and investment corporations, and specialized bank credit corporations (securities traders)
- U. Enterprises applying to issue share certificates and debentures
- V. Securities traders (exchange counters)
- W. Listing corporations and corporations requesting marketing
- X. Securities traders (exchange counters)
- Y. Listing corporations and corporations requesting marketing
- Z. Investors
- AA. Organization of centralized exchange (mostly bonds)
- BB. Organization of centralized exchange (mostly stocks)

Table Showing Composition of China's National Debt

Kind of Bonds	Issuing Date	Purpose and Use	Period (Years)	Intended Purchasers	Return	Marketing	Method of Repayment
People's Victory Price-Indexed Payment Bonds	1950	To remedy the fiscal deficit	5	Industrialists and businessmen in large, medium, and small cities; well-off households in cities and rural areas, and prosperous retired civilian and military officials	Annual 5 percent interest rate, the interest paid annually on 31 March	May not used as bank collateral, and may not be bought and sold	Repayment made in 5 drawings made over a 5-year period
National economic construction bond	1954-1958	to remedy the shortage of construction funds	10	Staff members and workers in government organs, enterprises, groups, and schools, military cadres, and peasants	Annual 4 percent interest paid at fixed periods each year, or interest paid in full at the time of repayment of capital	Same as next above	Repayment in installments through the drawing of lots
National Treasury Bonds	1981-1989	To remedy the fiscal deficit and the shortage of funds for economic construction	3-10	All entrepreneurial units, government organs, groups, and military units, and urban and rural residents	Annual interest rate increasing from 4 percent in 1981 to 14 percent in 1989, interest to be paid in full at the time of repayment of capital	Sale not permitted from 1981 through 1984; the public may sell bonds at a discount to banks in 1985 and 1986 after being held for 2 years; to circulate in the original 1980 market	To be repaid in installments through the drawing of lots from 1981 through 1984, with payment in full upon maturation after 1985
National key construction bonds	1987	For reimbursable key construction projects	3	Same as next above	6 percent interest for units making purchases; 10.5 percent interest for individuals making purchases, the interest to be paid when capital is repaid	Bonds issued to units may be used as collateral; bonds issued to individuals are transferable	Repayment upon maturity
Government Revenue Bonds	1988	To remedy fiscal deficits and the lack of economic construction funds	2 & 5	Financial institutions	8 percent paid on 2 year bonds; 7.5 percent paid on 5 year bonds	May not be bought and sold	Same as next above
National construction bonds	1988	Key construction projects	2	Urban and rural residents, funds, and financial institutions	9.5 percent annual interest calculated from purchase date	May be used as collateral or transferred	Repayment upon maturity
Special state bond	1989	Economic coordination and development	5	Concerns in fairly good financial condition, as well as all fund management institutions	15 percent annual interest rate, interest beginning from the month following purchase	Some transferable	Same as next above

Table Showing Composition of China's National Debt (Continued)

Kind of Bonds	Issuing Date	Purpose and Use	Period (Years)	Intended Purchasers	Return	Marketing	Method of Repayment
Value preservation bonds	1989	Putting the economic environment in order, rectifying the economic order, and regulating the economic structure	3	Urban and rural staff members and workers, residents, individuals, industrial and business concerns, all funds, insurance companies, and other corporations	A value preservation discount interest rate together with a 3 year regular savings interest rate fluctuation, plus 1 percentage point	May be used as collateral and exchanged at prescribed exchanges	Same as next above

### Status of the Chinese Security Business

Official statistics show that during the period 1981 through the end of 1990, China issued securities worth a total of 260 billion yuan renminbi, 47 percent of which were government bonds, 13 percent of which were business enterprise bonds, and 12 percent of which were revenue bonds, and only 1.9 percent of which were stock share certificates. Market trading volume totaled 18.7 billion yuan.

In 1991, 12 billion yuan worth of national treasury bonds and 10 billion yuan worth of state investment bonds were issued.

China's securities may be divided into three types by issuer.

#### 1. Government Bonds

The Ministry of Finance is responsible for issuing government bonds. From the time it first entered the market in 1981 until the end of 1990, the Ministry of Finance issued government bonds totaling 102.5 billion yuan in value. Government bonds are used primarily to remedy fiscal deficits, to balance the budget, to redeem old bond issues in order to issue new bonds, and to provide for current year new construction projects. Government bonds are of six kinds. During a 10 year period, 60.1 billion yuan worth of treasury bonds, 5.4 billion yuan worth of key construction bonds, 3.1 billion yuan worth of national capital construction bonds, 13.9 billion worth of revenue bonds, 12.5 billion worth of value preservation bonds, and 7.5 billion worth of special government bonds were issued.

#### 2. National Corporation Bonds:

Corporations, ministries, and commissions under direct State Council jurisdiction are responsible for issuing national corporation bonds. Over a period of 10 years, a total of 14.5 billion worth of such bonds was issued, largely key enterprise bonds worth 5.3 billion yuan and capital construction bonds worth 9.2 billion yuan issued by energy, communications, and raw and processed materials investment corporations of the State Planning Commission, and by the Ministry of Railways and the Ministry of Petroleum.

#### 3. Finance Bonds:

The issuance of finance bonds is the responsibility of specialized banks and other financial institutions. In 1985, the Chinese Industrial and Commercial Bank took the lead in issuing such bonds nationwide. This was followed by issuances in turn by the Chinese Agricultural Bank, the Construction Bank, and the Bank of China. By the end of 1990, a total of 28 billion worth of such bonds had been issued.

#### 4. Business Enterprise Bonds:

As of the end of 1990, a total of 44.7 billion worth of business enterprise bonds had been issued nationwide. Business enterprise bonds are of four kinds: Local enterprise bonds (worth 23.4 billion), short term finance capital bonds (worth 8 billion), enterprise internal fund raising bonds (worth 13.4 billion yuan), and new bonds issued for the purpose of redeeming old ones (worth between 300 million and 500 million yuan).

#### 5. Stock:

As of the end of 1990, a total of between 4. and 4.5 billion worth of stock had been issued. Stock is divided into the fairly standard kind permitted to be traded in markets (namely at Shenzhen and Shanghai) having a value of less than 700 million yuan, and other non-standard kinds worth more than 3 billion yuan.

In addition to the foregoing five kinds of securities, all local banks issue transferrable, large face amount certificates of deposit (CD). The Shanghai branch of the Bank of Communications first issued CDs in October 1986 with an eye on the short-term idle funds of industries, businesses, and official institutions, and the extrabudgetary funds of local governments. CDs run for from 1 to 9 months, and may be transferred in markets.

#### Very Great Stock Market Potential

Both in the implementation of development plans to modernize the economy and in establishing an image of continuing reform and opening to the outside world, operation of a stock market is of extreme importance in China's becoming a part of the world economy. In the eyes of international investors, China is an exceptionally

large consumer market of more than 1 billion people that is also bound to be a stock market having very great potential.

In April 1990, Shanghai announced plans for the development of Pudong for which an investment of 5 billion yuan would be required on top of the investment made during the previous five years. Local financial resources are limited, and central government finances are in even worse condition. The Shanghai Securities Exchange, which was founded in December of the same year, is to raise money for the Pudong plan, including both domestic market capital and international capital. During the 1990's, Shenzhen was the hot spot for foreign businessman investment. Development of the Shenzhen stock market completes the SEZ's market system, enabling Shenzhen to join the ranks of the international economy.

Reform of the enterprise share system was a part of the report of the 13th National Party Congress, and included in the financial reform plan of the CPC Central Committee-approved Eighth Five-Year Plan was the founding and development of a stock market. Specific implementation and operation of a national securities market and the Shenzhen and Shanghai stock market pilot project is to be under aegis of the Chinese People's Bank. The Securities Administrative Conference made up of central government ministries and commissions including the Ministry of Finance, the State Planning Commission, the State System Reform Commission, and the Ministry of Supervision is currently the supreme policy making level for the regulation of securities in China. The Administrative Conference is headed by Li Guixian, a member of the State Council and concurrently chairman of the Chinese People's Bank. The Administrative Conference's daily affairs are the responsibility of the Financial Control Department of the Chinese People's Bank, which studies and formulates national securities market policy and development plans, including direct purview over the Shenzhen and Shanghai stock market pilot projects. The ultimate examination and approval authority for all corporate issuance of shares, applications to market them, and plans to increase capitalization by expanding share issuances is the Financial Control Department of the Chinese People's Bank.

Thus, development of China's stock market has policy and institutional sanctions. With the further perfection of securities rules and regulations to put the market mechanism on a sound footing, foreign capital can enter the Chinese stock market without second thoughts.

#### **Risks and Obstacles to Investing in the Chinese Stock Market**

The longstanding restraints of planning modalities, the limitations of the current organizational system, and differences in ideology have meant that the Chinese stock market has been imprinted with the marks of a planned economy since its very beginning, which makes

it impossible to blend in with the international market. This means that various obstacles and risks may be encountered in the process of investing foreign capital.

#### **A. Differences in Viewpoint Mean Cadres at All Levels Do Not Dare Move Ahead Boldly.**

As yet, no unified understanding exists among ranking Chinese Communist officials about the role of the stock market. The dissolution of the USSR makes some conservatives feel very fearful about this "capitalist" thing called the stock market. Consequently, the central policy making level is extremely cautious in making policy decisions. Its fears are two: First it is apprehensive lest the sudden entrance of foreign capital into the Chinese stock market may proceed from the infiltration into shares to the control of shares, or even to control of the economic life blood of important enterprise sectors that will shake the position of the public ownership system. Second, it fears that individual investors from outside China may enter the Chinese stock market to speculate, thereby causing fluctuations in stock market prices that give rise to social disturbances.

#### **B. Foreign Capital May Encounter Technical Obstacles, Including the Following:**

1. Foreign currency exchange problems. According to regulations, returns from the investment of foreign capital such as dividends and profits from buying and selling may be converted to foreign currency for repatriation. However, the foreign exchange that enterprises take in through the issuance of shares is generally used for investment in production projects. If foreign exchange is earned through the export of enterprises products, enterprises can pay dividends on foreign capital in desired foreign exchange out of their retained foreign exchange earnings; otherwise, payment must be made out of national or local government foreign exchange reserves. This occasions difficulties for China, which strictly controls foreign exchange.

2. Enterprise issuances of A and B shares, which cannot circulate interchangeably, produces two separate markets. This causes contradictions in market regulation. When there are numerous restrictions on the B share market, trading will not be very lively, with the result that the B share market will shrivel and lose its reason for being. Although A shares and B shares are share certificates of equivalent value from a single corporation, since they are traded in different markets, prices of the A and B certificates vary greatly. When the corporation seeks to increase capital by increasing the number of shares, it is unable to settle on a sale price that matches both. Such a stock market "two track system" may cause foreign investors to lose interest in getting into the market.

3. Corporations that market stocks must formulate corporation financial auditing regulations, and prepare financial reports completely in accordance with Chinese accounting standards, which must be checked and verified by Chinese accounting offices. This differs substantially from foreign accounting systems. When foreign

capital is invested in the stock market, the listing corporations financial circumstances and performance must be understood, and the Chinese financial accounting system must be studied anew.

### C. Policy Risks

The Chinese stock market is also called the "political market." When investing in the Chinese stock market, there are special risks in addition to the normal market technical risks, namely political risks. The arbitrariness of political risks is even greater, and there is no way to assess or avoid such risks. Take the Shenzhen stock market as an example. The excessive number of dramatic fluctuations that occurred in the stock market there between May 1990 and August 1991 were all closely related to government announcements promoting new measures. Policies that spontaneously regulate the stock market have become a special kind of economic "lever." Consequently, some people criticize the Shenzhen stock market as essentially a political market.

Even though some provisional regulations have been promulgated in view of the incompleteness of rules and regulations, no detailed rules and regulations have been formulated; legal provisions are sketchy; and omissions are very numerous. As a result, only policy regulations remedy the shortcomings. Policy regulations are frequently only temporary and short-term in nature. In addition, they depend on the proclivities of leading officials and are not scientifically validated; they have a negative effect on the market. The principle of openness and fairness is lacking in the policy implementation process. Those who obtain inside information first are able to make exorbitant profits in the market.

Policies both control and interfere with the operation of issuing corporations. Decisions reached in shareholder meetings and by the board of directors are restricted and modified by changes in pertinent policies. The formulation of policies is usually the direct responsibility of the top. Some market experts also feel that stock market policies are truly hard to put into operation.

### Stock Market Environment

92CE0317B Hong Kong TANG TAI [CONTEMPORARY]  
in Chinese No 11, 15 Feb 92 p 44

[Article: "Several Features of China's Stock Markets"]

[Text] As a result of the Chinese Communists traditional ideological prejudice against securities (that regards securities largely as an outgrowth of capitalism), they have advanced very gradually in the development of securities markets. The concern of the policy making level in Beijing is to use securities markets as a means of raising funds to ease the government's financial difficulties without jolting socialism. The Beijing authorities have drawn up the following several principles for this purpose:

1. The need to maintain the dominant and leading position of the system of public ownership;

2. The need to encourage investment while restraining speculation;

3. The need for good handling of the relationship between legal returns from securities and unequal distribution;

4. The need to establish an open, impartial, and equitable market climate, guarding against cadre corruption.

The Chinese stock market is founded entirely on national macroeconomic planned economy requirements, and it is based on adherence to the system of public ownership. Thus, it has several distinctive features as follows:

### 1. Despite the Gradual Increase in the Number of Investors, the State Remains the Largest Shareholder Exercising Absolute Control

Economic reform has brought about a diversification of business enterprise equity. Today, not only is there central government and local government investment as well as foreign investment, but there are also corporate person shareholders, and private individuals are also permitted to hold shares. Nevertheless, from their very inception, both China's share system and its stock market pilot projects have strongly emphasized the need for an absolute majority of publicly owned shares. In Shanghai today, the state owns 65 percent of the eight listed stocks. When the Shenzhen Development Bank began listing shares in 1987, individuals held more than 50 percent of the total number of shares. The corporate charter was amended several times to provide that individual shares could not exceed 40 percent, and after 1990, the actual number of shares held by individuals amounted to only 38 percent of the total number.

### 2. Containment of Stock Speculation; Encouragement of Long-Term Investment

The traditional view, which regards a stock market as a breeding ground for profiteers and speculators, has not changed. During the beginning stage of the Chinese stock market, unavoidably some speculation and black market trading occurred. The government usually spoke of speculation and blackmarketeering in the same breath, and it adopted various administrative measures to curb them or even attacked and eliminated them.

### 3. Government Interference in the Stock Market Instead of Market Monitoring and Regulation

During the early period of its founding, China's stock market very much required government regulation and control, monitoring and regulation. However, the regulation and control process should have been handled in accordance with the markets own set of rules and regulation, economic and legal means should have been employed instead of purely administrative interference. The tough plan regulation of the economy that has been

used in China for a rather long period of time left its imprint on stock market regulation. During May 1990, for example, when the Shenzhen stock market suddenly heated up, the government was unprepared so it was unable to employ economic regulatory methods in time. It tried to employ several rigid actions to hold down share prices. Between the end of May and late November, the municipal government proposed a series of measures one after another to control the stock market, which finally brought the overly high share prices back down. Nevertheless, the negative effect of government interference in the stock market dampened shareholder confidence. The stock market never recovered from the set back, and only 10 months later did it rally somewhat.

#### 4. Isolated From World Markets, a Distortion of Share Prices

The Chinese stock market is limited by China's overall plan control; it cannot blend in with world stock markets. Instead, only two pilot project stock markets exist at Shenzhen and Shanghai in which the number of shares listed are few, market capacity is limited, and share prices are distorted.

When the Gulf war erupted on 2 August 1990, within a month every stock market in the world fell 10 to 20 percent, prices on the Shenzhen stock market alone rising crazily. The average market earning rate for shares of the five listing corporations rose from 20.27 fold at the end of July to 58.75 fold in December. With a turn for the better in the international political and economic situation during the first half of 1991, stock markets all over the world rallied to a certain extent. With the resolution of the airport issue in Hong Kong, in particular, the Heng Seng Index broke the 4,000 market for an all-time high in the history of the Hong Kong stock market. However, the Shenzhen stock market fell continuously for nearly 8 months. The Shenzhen and the Shanghai stock market pilot projects have very little contact with each other. After May 1991, the Shanghai stock market got out of a trough, rallying very quickly, but the Shenzhen stock market continued to languish in a bear market with uncertain prospects.

#### Pitfalls of Foreign Investment

92CE0317C Hong Kong TANG TAI [CONTEMPORARY]  
in Chinese No 11, 15 Feb 92, pp 45-47

[Article: "Ways in Which People in Hong Kong Invest in the Chinese Stock Market"]

#### [Text] 1. Use of Sino-Foreign Joint Venture Corporations To List Shares in Shenzhen

Among the 10-odd listing corporations in Shenzhen and Shanghai today, *Yuanye Industries* is the sole corporation investing abroad and controlling shares. It is the Sino-foreign joint venture share corporations that are approved for continuous listing. Any Sino-foreign joint venture enterprise applying for listing must first regulate its assets.

First it must sell some equity to the public to form a share corporation in which the public holds shares. Second, it must build on its existing capital stock to increase capital by expanding shares, selling new shares to the public.

For the Sino-foreign joint venture enterprises in Shenzhen authorized for the second group of listings, returns were outstanding, and they became major earners of foreign exchange from exports. One such enterprise was the Shenzhen Zhonghua Bicycle (Group) Corporation. This corporation is a joint venture of Shenzhen city with the Hong Kong Big Bicycle Corporation and the American Schwinn Bicycle Corporation. This joint venture has been doing business for six years. Its total capitalization is 540 million yuan renminbi, each of the three partners holding one third of the shares. Following completion of its second plant in September 1991, this corporation was to have an annual output of 2.5 million bicycles making it the largest single bicycle factory in the world. The Shenzhen Huafa Electronics Corporation, which is owned and operated by Lu Ching-t'ien [7120 2348 1131], the chairman of Hong Kong's Lushih Enterprises; the Shenzhen Huayuan Magnetolectric Corporation, which specializes in the production of computer floppy disks, and the top Sino-foreign joint venture electronics enterprise in all China, the Kangjia Electronics Corporation Ltd., are all in the same league.

#### 2. Shenzhen Listing Corporations Issue Shares Abroad

In December 1988, the Shenzhen Wanke Enterprises Corporation sold 28 million shares of common stock to the public, 38.2 percent of it subscribed by corporate persons abroad. For this reason, it is acknowledged to be the first Chinese listing corporation to have issued stock on an international scale. This corporation has accepted four Hong Kong enterprises as shareholders, but it has set a maximum of 24 percent foreign capital.

The four Hong Kong corporate identities holding shares in Wanke Enterprises are the Hong Kong Jenta International Corporation chairman of the board, Liu Yuan-sheng [0491 0337 3932]; the Hong Kong Integrated Trading Corporation executive director, Lin Mu [2621 4207]; the director and general manager of Hong Kong Kuantu, Chang Kung-t'ai [1728 1872 3141]; and Lienta Enterprises Ltd. corporate person representative Chang Nan-p'eng [1728 0589 7720] and Wanke Enterprises' chairman of the board Wang Shih-wei 3769 4258 3634] as sponsoring shareholders. Liu Yuan-sheng, Lin Mu, and Chang Kung-t'ai were elected board members. Corporate persons outside of China made direct investments in Hong Kong dollars. Article 13 of the corporate charter provides that following approval by the authorities, dividends from corporate shares that foreign shareholders bought with foreign exchange are to be converted to foreign exchange for repatriation at the market equalization center at the market equalization price.

#### 3. Foreign Individuals Invest in Shenzhen Stock Market

Despite various restrictions, people living outside China, mostly residents of Hong Kong, purchase Shenzhen

stock through various means. Several circumstances pertain: First, these people were formerly residents of Shenzhen who subsequently applied to immigrate to Hong Kong. Second are the Shenzhen shares held by fishermen who worked on the sea in the area of the Lowu border and western Baoan County that came to be owned by relatives outside China through inheritance, as gifts, or through transfers. Third is residents outside China who have bought buildings in Shenzhen and whose families are in Shenzhen and hold Shenzhen shares.

Actually, following publication of the *Temporary Procedures* for Shenzhen shares, the various securities traders did not have unified regulations strictly limiting purchases of shares by people from outside China. Like investors in China, residents abroad could purchase Shenzhen listed shares with renminbi upon presentation of their personal identity documents, and every securities dealer would accept that. Since 1990, people from Hong Kong, Macao, Taiwan, and Singapore have invested in the Shenzhen stock market, some of them presenting their personal identity documents to subscribe, and others making purchases in the names of relatives and friends in Shenzhen. Only a tiny number have done so, however. Among the more than 70,000 registered owners of Shenzhen securities, only one in 1,000 is a foreign resident.

Shanghai shareholders have not yet provided opportunities for individual investors from abroad to enter the market.

#### 4. Devising New Ways To Invest in the Chinese Stock Market

##### A. Organization of Trust Funds

Use of international securities investment trust funds to expand channels whereby China's stock markets can take in foreign capital in an opening to the outside world.

The *Chinese Equity Fund* whereby the Bank of China member institution, the International Finance Corporation, and the American Baitemanqi [2157 3676 2581 7871] Fund Management Corporation plan to raise \$50 million is intended for investment in business enterprises, mostly in Shanghai. Inasmuch as only a relatively small number of stocks are currently available in Shanghai, the fund will gradually invest over the next two or three years in Shanghai listed companies and in businesses in the process of becoming stock share corporations that have requested listing.

A fund known as the *Shanghai Fund*, which was planned and organized by the Banque de l'Indochine subsidiaries and the Asia Investment Corporation announced its founding on 10 November 1990. Its original plans called for the raising of \$20 million within 2 weeks, but subscriptions broke the \$25 million mark within 4 days. The firm's chairman of the board and director said that the *Shanghai Fund* would decide increases in the fund in light of the number of foreign investors and the number of Shanghai corporations interested in investment. The

Shanghai Fund has registered in Hong Kong, and it has applied for earliest listing in Hong Kong and London.

A *Shenzhen Fund* plan, which a Shenzhen international securities investment fund was responsible for drafting, has been sent to central government departments concerned for examination and approval. Reportedly, the *Shenzhen Fund* will be a closed-end mutual fund running for approximately 10 years. The fund is to be listed on the Shenzhen Securities Exchange at a capitalization of between \$10 million and \$15 million. At the present time, the fund is limited to investment in Chinese securities listed on the Shenzhen and the Shanghai securities exchanges. The fund's trustees, managers, and custodians must be Shenzhen-registered Chinese financial institutions. An internationally known foreign securities institution outside China has been selected to serve as fund investment advisor to assist in providing professional advice on investment in foreign investment funds, and to insure the fund's normal operation. The fund will be able to invest in renminbi-denominated B shares paid for with foreign exchange, and in A shares paid for in renminbi; thus, it will be able to play a role as a bridge linking A and B shares, thereby coordinating development of both markets.

##### B. Establishment of B Shares (Special Shares) To Accommodate Investment by Private Individuals Abroad

Shanghai is planning to try out an A share and a B share system as a means of solving problems that foreign individuals encounter when investing in the Chinese stock market. The so-called A and B shares are two kinds of shares that issuing corporations issue at the same time. The A shares are denominated for purchase in renminbi, and they may be bought and sold only by entrepreneurial units and individuals inside China. The B shares are renminbi-denominated shares that are purchased with foreign exchange (dollars) (at the market exchange price or at the market equalization price). They may be purchased only by corporate business persons, funds, and natural persons abroad.

When a unit or an individual outside China wishes to subscribe to B shares that a Shanghai business enterprise has issued, it will have to make the purchase in foreign exchange from a Shanghai securities broker authorized to deal in foreign exchange. The securities broker will convert the foreign exchange to renminbi at the foreign exchange equalization rate listed for the date at the foreign exchange equalization center, then he will sell the B shares at the issued price.

B shares may be bought and sold in the market. Ownership may be transferred only within the limits set for the purchase of B shares, and they are to be paid for in foreign exchange at the equalization price for renminbi on the day of purchase. Dividends, interest, and profits made from the buying and selling of B shares may be converted to foreign currency at the going foreign



exchange equalization rate for repatriation. A shares and B shares may not be traded interchangeably in exchanges. The artificial creation of two markets for the shares of a single corporation further hampers development of the market.

According to Shanghai market regulations, all foreign exchange earned from the listing of B shares reverts to the listing enterprises. When the holder of B shares converts to foreign exchange the interest and dividends that have been paid in renminbi, the listing enterprise bears responsibility for the foreign exchange payment. According to current joint venture laws and regulations, when the amount of spot foreign exchange paid in for B shares is equal to 25 percent of the renminbi equivalent of the enterprise's capital stock, the enterprise may apply to become a Sino-foreign joint venture enterprise enjoying various preferential policies.

Temporary regulations on the listing and exchange of Shenzhen shares term B shares special shares, procedures for the listing and regulation of which are similar to those used in Shanghai. Shenzhen city agencies in charge have set up a coordination group for the formulation of policy regulations for B shares. Shenzhen listing corporations designate a certain percentage of shares for listing as B shares, and when the percentage of B shares exceeds 25 percent of all shares, the enterprise is regarded as being a Sino-foreign joint venture in nature. In general, the percentage of B shares is held within 49 percent; however, in the case of enterprises having a large percentage of foreign capitalization, or in the case of wholly foreign-owned enterprises, the percentage may be liberalized, or 100 percent of shares may be issued as B shares. However, at least 25 percent of the total number of B shares must be publicly sold to undesigned purchasers abroad in order to ensure a dispersal of equity that prevents a small number of people from gaining monopoly control of shares.

China's first B shares were issued in Shanghai in 1992.

At the present time, approximately one-five hundredth of the total market value of Shanghai's six listing corporations is the investment of foreign traders.

#### **Problems To Be Considered in the Investment of Foreign Capital in the China Securities Market:**

1. Sound Chinese business concern laws and regulations, and a series of provisions showing the legal standing, the management mechanism, and the business operation of the joint-stock company or listing corporation, clear-cut property rights, and shares, and shareholder rights and obligations;
2. Complete securities laws and regulations. In particular, laws, regulations, and provisions pertaining to foreign investors must be well-defined;
3. Making sure that securities markets are adequately policed and that markets are impartial and effective.

Market information and data about business concerns must be ample, timely, accurate, and open;

4. Establishment of a proper accounting and auditing system, the format of enterprises' financial reports and tables being consistent, insofar as possible, with international "generally recognized accounting principles."

5. Making sure that earning may be converted to foreign exchange for repatriation. Unless the foregoing problems are resolved, foreign investors will encounter obstacles. Probably such problems will be gradually solved with several years of practice and exploration.

#### **Operation of Shanghai Securities Market**

92CE0317D Hong Kong TANG TAI [CONTEMPORARY]  
in Chinese No 11, 15 Feb 92, pp 48-49

[Article: "The Shanghai Securities Market Today"]

#### **[Text] Fundamentals**

Since 1984 when Shanghai took the lead in reviving securities markets, more than 2,700 business concerns throughout the city have issued bonds and stocks, including more than 10 billion yuan worth of Shanghai-issued government bonds and market securities. Today Shanghai has 25 businesses dealing in securities, which have set up more than 60 securities exchange network outlets all over the metropolitan area, and throughout the city and surrounding countryside. More than 1 million people are involved in securities activities. Shanghai has regained the prestigious position it held in the securities business during the 1930's, and has become the largest over-the-counter market in China today.

Among the 30 different securities listed on the Shanghai Securities Exchange are five different government bonds, eight different business bonds, nine finance bonds, and eight stock shares. The Shanghai Securities Exchange deals mostly in bonds, and secondarily in share certificates in an 85 to 15 ratio. The decline in interest rates of recent years has stimulated a trend toward growth in the volume of stock shares traded.

Share capital of the eight stocks traded in Shanghai today (seven of them from Shanghai, and one from Zhejiang) totals 260 million renminbi. This includes a more than 65 percent state equity, and an individually held share equity of approximately 25.8 percent. The face amount of shares is more than 67 million yuan. Shanghai Security Exchange regulations currently provide only for individual trading of shares; thus, the Shanghai share market is excessively narrow.

#### **Market Background**

In 1984, Shanghai formally became one of the 14 coastal cities in the country opened to the outside world. This accelerated the pace of Shanghai's construction and opening to the outside world. During the six year period

until 1990, exports through the port of Shanghai earned a total of \$40.7 billion. During the 1980's, Shanghai used a total of \$3.11 billion in foreign loans, and approved foreign trader investment contacts for \$2.88 billion. With assent from Deng Xiaoping, in April 1990 the State Council approved the Pudong development plan. In 1990, Shanghai's GNP reached 73.7 billion yuan renminbi, up 1.03 fold from 1980 in an average annual 7.3 percent growth rate. National revenue and the gross value of industrial output both increased 93.4 percent over 1980 for an annual average 6.8 percent growth.

Shanghai government revenues totaled 243.1 billion yuan during the decade of the 1980's, including 173.7 billion yuan paid into the central government treasury. During the decade, a total of 141.95 billion yuan was invested in fixed assets throughout the city, and 6.21 million foreign tourists that produced 5.8 billion yuan in foreign exchange were received. Shanghai holds a position of crucial importance for the country as a whole.

During the 1990's, the tilt in Shanghai's policies will be toward development of Pudong. During the Eighth Five-Year Plan, investment in infrastructure in Pudong amounted to 50 billion.

In an overall sense, the percentage of shares traded on the Shanghai securities market has always been very small, nor has trading in financial bonds and enterprise bonds been very lively. Since 1988, however, trading in treasury bonds has dominated the market overwhelmingly. In 1988, 265 million worth of national treasury bonds were traded on the Shanghai market, 20 percent of the total amount traded nationwide. In 1989, 760 million yuan worth of national treasury bonds were traded, 36.4 percent of the national total. During the first half of 1990, a new record was set in national treasury bond transactions with the exchange of 1.28 billion yuan worth, almost half the national total. Moreover, national treasury bond transactions accounting for 80.9 percent of all transactions in securities on the Shanghai securities market were the outstanding feature of the Shanghai securities market. The paramount position of the Shanghai government treasury bond market is attributable to the openness of the market. Very early on, Shanghai securities traders set up network outlet points in other provinces and cities to begin organizational trading. In 1989, 400 million yuan worth of government treasury bonds flowed into Shanghai to deal a blow against the credit apportionment contracting system prevailing at the time. It seemed as though savings in Shanghai had been reduced by 400 million yuan. In July 1990, however, Shanghai received more than 800 million yuan in principal and interest income from the cashing of government treasury bonds. The opening of a securities market for the whole country created tremendous sources of capital for Shanghai. After the cashing of national treasury bonds in 1990, people invested their money in the bonds and stock shares of large business concerned, thereby invigorating enterprises' bonds and stock shares.

### Operation of Shenzhen Stock Market

92CE0317E Hong Kong TANG TAI [CONTEMPORARY]  
in Chinese No 11, 15 Feb 92 pp 50-51]

[Article: "The Shenzhen Securities Market Today"]

[Text] In 1983, Shenzhen began reforms to convert business enterprises to the stock share system. Today the city has 2000 enterprises under the share system, approximately 83 of which issue shares publically. Since 1987, six firms have issued shares totaling 350 million yuan in value to the public on the open market. Shenzhen has 13 securities trading organizations operating at 17 sites, one securities exchange, and one registering corporation. More than 300 people are engaged in securities trading. A securities exchange market has been basically formed, with rapid increase in share transactions. Sales volume in 1988 amounted to 4 million yuan in 1988, 23 million yuan in 1989, and 1.765 billion yuan in 1990. The market value of Shenzhen stock shares traded reached a maximum of 7.5 billion yuan. During the first half of 1991, the average market value of shares traded was between 4 billion and 4.5 billion yuan. The percentage of bonds traded at Shenzhen was tiny, amounting to only 50 million yuan in government bonds, 1 million yuan worth of three year Shenzhen airport bonds, and about 1 million yuan worth of financial bonds.

### Shenzhen Stock Market Development Roundup

As is the case during the initial period for stock markets in so many developing countries, the Shenzhen stock market also experienced soaring stock prices, rash actions, and a rampant black market. Government resorted to administrative interference in the market, finally causing the overly high share prices to go back down, but market development was damaged with the dampening of investor confidence.

In 1990, the Shenzhen stock market moved out of the feverish stage into the regulation stage. The market gradually matured as a result of many shareholders having learned a lesson in the stock market.

Several rebounds occurred for policy reasons in the midst of major declines in the Shenzhen stock market during the first half of 1991. The announcement in 3 April 1991 of a 100 point Shenzhen share price index base point plunged the market 60 points for the first time by 25 July. The continuous slide for more than 8 months became a thorn in the side of the government, which further publicized stock market pilot project plans and policies. While calming the people's fears, government also readjusted specific actions concerned. It freed the amount by which share prices could rise and fall, abolished the stamp tax, encouraged institutions and corporate persons to enter the market, and delayed the listing of new shares, hoping that after a fairly long period of readjustment, the Shenzhen stock exchange might gradually bottom out.

Between January and August 1991, the Shenzhen stock market recovered its impetus in two stages. During the first stage, which ran from January to May, a bear market prevailed for the most part, share prices sliding 5 percent daily. Trading was light, no trading at all taking place on 22 April. During the second stage, which lasted from June to August, the backstop system for rise and fall in prices of shares of four firms, namely Wanke, Antian, Anda, and Fazhan, was cancelled in the removal of restrictions on share prices. Prices fell between 20 and 40 percent, but stabilized at a certain price level. As a result, the stock market profit rate gradually approached corporation performance. Trading became lively. During June and July, maximum trading volume was more than 10 million yuan. The municipal People's Bank "Notice on the Examination of Corporate Person Stock Transfers" of early August began to bring organizational investors into the market, putting an end to the bear market but not completely reversing the trend toward decline. During 1991, 11 corporations requested listing of shares, thereby increasing listings by between 200 million and 300 million yuan.

#### Shenzhen Bond Market Today

As of the end of 1990, 690 million yuan worth of bonds of all kinds had been issued for the whole city, including 340 million yuan worth of government bonds, 180 million yuan worth of financial bonds, and more than 60 million yuan worth of business enterprise bonds. In April 1988, Shenzhen was made one of seven pilot project cities for treasury bond transactions, becoming, a bond transaction center in south China equaling Guangzhou for a time. In 1990, the stock share fever put a damper on bond transactions; nevertheless, bond issues that year totaled 583.26 million yuan in a 3.1 fold increase over the previous year. Among major kinds of bonds, the percentage of finance bonds and business enterprise bonds rose, while the percentage of government bonds fell from 60.12 percent in 1989 to 11.03 percent.

On 20 December 1990, business enterprise bonds to raise 100 million yuan for the Shenzhen Airport were issued publicly for the first time. The airport bonds carried an annual 14 percent interest rate, interest being paid each year with principal returned in three years. At places where trading prices for all securities are posted, the airport bond price in August 1991 rose to 1,085 yuan per share (for bonds having a face value of 1,000 yuan).

On 18 January 1991, the China Non-ferrous Metals Corporation of Shenzhen publicly issued foreign exchange commercial paper in China for the first time for a total of 8 million yuan. This included the equivalent of \$3 million worth of commercial paper for Shenzhen concerns, groups, and banks; and the equivalent of HK\$5 million in commercial paper for society at large. This commercial paper was issued for 270 days and carried an interest rate higher than the interest rate paid on banks savings accounts for the same period. American dollar commercial paper could be discounted and transferred at the nominal price.

## SOUTHEAST ASIA & PACIFIC

### Prospects of Domestic Oil Price Trends Viewed

HK2005004192 Beijing JINGJI GUANLI in Chinese  
No 2, 5 Feb 92 pp 33-38

[Article by Du Yonglin (2629 3057 2651) and Zhang Yuqing (1728 3768 3237), edited by An Luming (1344 6424 2494): "China's Oil Price Trend in Prospect"]

#### [Text] I. Retrospect and Present Condition of China's Oil Price

Following the continual deepening of reform, China's planning system and operational mechanism have shifted from unitary planned control with a high degree of centralization to the combination of planned economy and regulation by market mechanism. Price reform has also been deepened continuously and on the side of price reform of the means of production, a pleasing and eventful step has been taken. Petroleum being an important energy source and raw material, internationally its price has become a matter of important concern to the world at large. Government organs and large corporations in various countries have especially set up organs to engage in the research and forecasting work on oil prices in the long, medium, and short term. In China, although the research and forecasting of the prices of oil and natural gas have made a rather late start, yet initial results have been achieved on the sides of investigation and research and fixing the prices of oil and natural gas by the market mechanism and certain experiences in smoothing out the oil price have been gathered therefrom.

1. Through raising the oil price four times in succession, an initial change has been effected in the situation of China's oil price having been too low for a protracted period.

Prior to 1988, although there were minor fluctuations in China's oil price, yet as a whole it had remained stable for 30 years. If a graph is drawn with the time element on the horizontal side and the per-ton price of oil on the vertical side, the curve of oil price movement would practically be a straight line relevant to the horizontal side. In 1958, China's oil production was rather small. There were only the west Yuman, Qinghai, and the then newly discovered Karamai oilfields. Annual oil production was barely 2.26 million tons and the fixed oil price was 62.23 yuan a ton. In the 1960's, discovery of the world renowned Daqing oilfield was announced. There was then a large rise in oil production. In 1960, the Daqing crude oil price was fixed at 150 yuan per ton while the price of crude oil from oilfields in the western part of the country was fixed at 81.97 yuan per ton. In 1961, to reduce the difference between the prices of the crude oil from the two localities, the price of Daqing oil was lowered to 130 yuan per ton while the price of crude oil from the western oilfields was raised to 115.88 yuan per ton. This situation remained unchanged up to 1971. In 1971, China's second largest oilfield, the Shengli

oilfield, was developed. At the time, Daqing was at the peak period of development. Its oil extraction technique was simple. The cost of production was low and the profits realized were high. Based on these conditions, the state readjusted the price of Daqing and Shengli oil to 100 yuan per ton and allowed the price of crude oil from other oilfields to remain unchanged. In 1981, the state enforced the policy of having the petroleum industry undertake under contract an oil production volume of 100 million tons a year and a "double-track system" appeared in oil price. Oil within the contracted volume of 100 million tons was quoted at a fairly cheap price, the price of Daqing and Shengli oil being 100 yuan per ton and the price of oil from other oilfields averaging 120 yuan per ton (oil from Xinjiang and Qinghai averaged 115 yuan per ton, while oil from the central plains, Henan, Jianghan, and Hansu averaged 139 yuan per ton). The profits obtained from the sale of oil outside the range of the contracted production volume were designated to serve as construction funds for oilfield prospecting and developing. As seen now, the oil prices fixed at that time appeared to have been relatively rational. However, after 1982, in consideration of the ability to bear the high oil prices on the part of the consumers, or users, the high price of oil inside the country was lowered three times in succession. Thus, the price of Daqing oil was reduced from 620 yuan a ton to 590 yuan and then to 545 yuan, while the price of Shengli oil was reduced from 520 yuan to 490 yuan to 475 yuan a ton. Since 1988, China's oil price has been on the low side, and the phenomenon of the discrepancy between the price of oil and its value has attracted the attention of relevant government departments. Soon afterwards, the State Council decided to readjust the oil price. Beginning 1 January 1988, parity- and high-price oil were both raised 10 yuan in price; from 1 January 1989, the ex-factory price of parity-price oil was raised 27 yuan but that of high-price oil was allowed to remain unchanged. The price of parity-price oil and the ex-factory price of a portion of oil products were raised. The price of parity-price oil was raised 30 yuan a ton based on the ex-factory price, synthetic oil from Mouming and Fushun was raised from 150 and 200 yuan a ton to a uniform 210 yuan a ton. At the same time, the ex-factory prices of a portion of oil products were readjusted. Beginning 1 January 1991, high- and parity-price oil prices were both raised 34 yuan a ton.

Following the upward readjustment of the price of parity-price oil four times in succession and readjustment by two times of the price of high-price oil, at present, the price of parity-price oil averages 205 yuan a ton, of which the price of parity-price oil from Daqing, Shengli, Liaohe, Huabei, Dagang, and Jilin has been raised from 100 yuan to 201 yuan a ton; the price of parity-price oil from western oilfields, such as those in Xinjiang and Qinghai, has been raised from 115 yuan to 216 yuan a ton; and the price of parity-price oil from oilfields in the central plains, Henan, Changqing, Jianghan, Yuman, Jiangsu, Yunnan-Guizhou-Guangxi, Yenchang, and Sichuan has been raised from 130 yuan to

231 yuan a ton; of the high-price oil from Daqing and Yunnan-Guizhou-Guangxi oilfields the price of oil for use in processing has been raised from 545 yuan to 589 yuan a ton and the price of furnace-use oil, from 590 yuan to 634 yuan a ton. Of the high-price oil from Shengli and other oilfields, the price for processing use has been raised from 475 yuan to 519 yuan a ton while for furnace-use oil, from 490 yuan to 534 yuan a ton. This has brought about an initial change in the protracted stage of China's oil price being on the low side and a pleasing step has thus been taken in price reform.

## 2. Enforcing the measure of compensatory use of deposit volume.

Beginning in 1988, China enforced the compensatory use of deposit volume measure and thereby put the prospecting expenses into the cost of production, changing the imperfect character which had existed for a long time in China's oil cost composition and basically being in stride with other countries in this respect. Beginning in 1988, China began in three stages the collection of the compensatory use of oil deposit volume fees from the oil price. The fee was 59 yuan per ton from the accumulated gross volume of annual oil production while the fee collected from natural gas was 5 yuan per thousand cubic meters (as seen from today, the scale of the fee collected from the natural gas deposit volume was too small). Based on the computation that prospecting of 300 million tons of oil will result in the processing of 100 million tons of oil, the cost of prospecting for 1 ton of oil deposit volume at present is about 12-13 yuan, and after the Eighth Five-Year Plan period, the cost will go up to around 16 yuan; including certain preliminary surveying and prospecting expenses, the collection of 59 yuan per ton of oil as the compensatory use fee of oil deposit volume may be said to be reasonable. Enforcement of this measure will promote and facilitate the development of crude oil prospecting.

## 3. Change in the situation of enterprises, because of the rising oil extracting costs and, for the sake of lessening deficits and increasing profits, resorting to reducing charges for depreciation and maintenance of oilfields, thus providing stamina for developing the petroleum industry.

It is a general law that with the extension of the oil extracting period oil production costs go up. Following the elevation of the degree and extent of oil extracting, the water content of oil naturally increases and oil production volume decreases. It thus becomes necessary to take various measures to increase production, such as readjusting and strengthening the existing wells, building new production capacity to make up for the reduction, use of acidized cracking to rebuild the oil strata, and so forth. At the same time, following replacement of self-gushing of oil wells by mechanical extraction, the various expenses incurred in maintaining simple reproduction have risen every year. At the end of the 1980's and the beginning of the 1990's, oil extracting cost per ton rose from 54.5 yuan in the Sixth Five-Year Plan period to

113.4 yuan, of which the oil production cost in 1990 went up to 177.6 yuan. On the oil enterprises' part, to fulfill the profit and tax delivery tasks, for a prolonged period they have not met the requirements of setting aside an adequate amount of depreciation and maintenance charges and reserves for the oilfields which naturally has adversely affected the stamina of oilfield development. However, since the oil price readjustment in 1988, a portion of the funds from the price readjustment receipts were designated to replenish the deficits, as a result of which the oilfield maintenance fee was increased from 10 yuan a ton in 1987 to around 30 yuan a ton in 1990 and there was also an increase in the depreciation charges. This has created a stabilizing condition for oil production.

4. Insertion of a small volume of market regulation into the macroeconomic price system which takes price-fixing by the state as the principal factor has been a beneficial factor for the integration of planned economy and regulation by the market mechanism in oil price reform.

Petroleum is an important and strategic material and also an important raw material. That the state must sternly hold and control its price can hardly be contested. However, outside the realm of price planning and oil distribution of a mandatory character, under the condition of not affecting the situation as a whole, it appears possible that in the distribution of a portion of oil production, only the direction and quantity are fixed, while the price remains unfixed, leaving it to be determined by the supply and demand parties concerned based on the principles of mutual benefit and joint development (naturally government departments should also play a coordination role). Since commencement of this sort of work in 1988, the results attained in the past several years have been satisfactory.

In 1988, the China National Petroleum and Natural Gas Corporation [CNPNGC] was extremely short of funds for petroleum prospecting and development while the China National Petrochemical Corporation [CNPC] was extremely short of oil for operation. Following several rounds of talks between the relevant departments, the CNPNGC eked out from the crude oil for its own use and from the increased oil production some 2 million tons of crude oil and sold the oil as high-price oil to CNPC. The latter, working on the basis of high-price oil, managed to obtain a profit return of 120 yuan per ton from this volume of oil which helped it resolve the contradiction of its shortage of construction funds. Because both parties showed great enthusiasm in the transaction, since completion of negotiations by the two parties on 30 November 1988, this kind of transaction has been carried out satisfactorily each year and, at present, the volume of oil involved is over 3.4 million tons and, even though others tasks in the general plan did not work out well, the volume of the transfer and sale of high-price oil outside the plan has kept on increasing with the profit return being prompt and timely. Aside from this portion of crude oil, a portion of the oil for

export has also been transferred to domestic sales in foreign exchange to meet the urgent need for oil on the part of some enterprises. In reality, this was in part the working of market mechanism regulation. Regarding the volume of China's oil exports, following the continual increase in domestic demand, from now on there is the possibility of a yearly decrease. However, the yearly amount of foreign exchange required by the petroleum industry and the national economy has not been decreasing but increasing. Hence, the sale of export oil inside the country must be conducted in foreign exchange at international oil prices, since only by so doing can there be a balance in foreign exchange holdings and reserves. When this method was first employed, there was concern that this would be beyond the domestic consumers' capacity to bear but, after several years of operation, it was found that the supply and sale of this portion of oil at international prices inside the country fell behind demand. From now on, to meet domestic demand, the volume of this sector of oil will have to be adequately increased. In addition, there has been a continual increase in the production of oilfields jointly developed by the China National Offshore Oil Corporation and foreign oil companies. Of the production from this source, a portion of China's share will be sold in the domestic market at the international oil price. It is anticipated that this volume of oil handled under market regulation will be increased.

In recent years, putting into effect a series of measures in the reform of oil prices has yielded definite results, but in oil price policy and control improvement its still urgently needed in many respects. At present, although the price of high-price oil is gradually approaching the international oil price, the volume involved is limited, amounting only to approximately one-ninth of the total oil output volume. A large volume of crude oil is being sold at parity price and, as a result, the oil price as a whole is still on the low side compared with the international price. The averages of the international comparative prices of crude oil, gasoline, kerosene, and diesel are: 1:1, 25:1, and 32:1.19. In China, despite raising the oil price several times, averages of the comparative prices are still: 1:2, 9:2, and 15:2.7. Because continued processing can yield high profits, the localities have blindly set up small refineries and small native furnaces, while modernized large refineries, due to the oil supply shortage, are working in a semisuspended state. This has damaged the state's interests. In addition, due to the irrational pricing, in the consumption composition, oil burning has occupied a rather large proportion. Despite the fact that the state has adopted various measures to keep this in check, such as increasing the oil-burning tax and urging coal-burning to substitute for oil burning, the volume of oil-burning has continuously increased. In 1988, the country's oil burning volume was 20.3065 million tons, of which 2.7976 million tons of crude were directly fed into the furnaces. In 1990, the oil-burning volume was 25.3405 million tons, of which 2.3834 million tons of crude were directly fed to the furnaces. Besides, oil price has been raised several times already

but the increase in state revenue receipts has been rather limited, since a large portion of the funds derived has been put into construction of the petroleum industry.

## II. Basic Principle and Thought on Oil Price Fixing

Before taking in the prospect of the future development trend of China's oil prices, it is necessary first to look into the basic principle and thought on oil price fixing. Petroleum is an important chemical raw material and is also an energy resource which cannot be reborn once used. Its price fluctuations have a direct connection with and effect on many economic departments and enterprises. If the domestic oil price is fixed too high, it will cause a large-scale rise in the cost of production of various kinds of commodities, leading to an overall rise in commodity prices. On the other hand, if the price fixed is too low, it will bring losses and deficits to the petroleum enterprises, requiring large subsidies from the state and increasing the country's financial deficits. Hence, extreme care must be taken in oil price fixing. Taking into consideration China's actual conditions, oil price fixing should be based on the following basic principles:

1. Price must reflect value, that is, reflecting the necessary social labor consumption in oil production and ensuring the availability of a definite amount of development funds for the enterprise. Concretely speaking, price must be formed by oil production cost and a definite proportion of the profit rate. Oil production cost differs in different countries and is also different in the various oilfields in China. Regarding the profit rate to be fixed, various countries also differ. China's oil price should consist of the entire oil production cost plus a fixed proportion of the profit rate. Duly considering that the profit rate must be higher than the taxes to be delivered to the state, it is more appropriate if the profit rate is fixed at about 20-30 percent of production costs.

2. Price readjustment must be beneficial to the national economy's development and to the overall situation of raising the labor productivity rate and efficiency in economic work. In readjusting the oil price, it is necessary to give full consideration to the first-, second-, and third-time effects that raising the oil price has on the various industries and trades and the rise in social commodity prices. It is absolutely necessary that adequate readjustment should be carried out within the scope of the yearly rise in the price index allowed by the state. There must be no haste or attempt to reach the goal in one step. Usually, energy use is connected with economic growth. Rational prices play a good and assuring role in improving the energy utilization rate and lowering energy consumption. At the same time, rational prices can reduce the state's subsidies to the enterprises and also can increase financial receipts.

3. Oil price readjustment must be beneficial to the petroleum industry's development. In the past, the petroleum industry created a large amount of foreign exchange for the state as well as helped increase financial

profits and taxes. In recent years, due to the low prices of crude oil and the increased difficulties in oilfield prospecting and development and to the vast changes in external conditions, the industry has incurred deficits amounting to several billion yuan for many years in succession. Moreover, as a result of the serious shortage of capital funds for oil prospecting and development, new petroleum sources could not be promptly discovered while the difficulties of the old oilfields in maintaining static production gradually increased and oil production could not be increased. When readjusting the oil price, there must be an assurance that sufficient capital funds can be obtained which must be wholly and solely used for the petroleum industry's development, without being diverted to expenditures of an ordinary nature, so that oil production can attain a relatively large increase.

4. Readjustment must be beneficial to improving enterprise management and enable the enterprise to both "increase production and practice economy" and to further tap its own hidden potentials. Price readjustment should endeavor for the objective of making the enterprise not lose money and make a little profit. For this reason, there must be a rational price standard, to enable the oil enterprise to have the confidence of speeding up self-development, to possess the will to strengthen itself, and to perform a better job in enterprise management.

5. On the one hand, oil price readjustment must be able to protect the interests of the great majority of consumers, and, on the other hand, to restrain the excessive increase in consumption. The former is the basic starting point. Any country, when fixing its domestic oil price, must duly consider that the price level will not damage the interests of the extensive masses of consumers and that eventually it will be accepted by the consumers. As for the latter, it is especially important to those countries which are short in energy supplies. Use of the price level to regulate oil consumption has frequently produced good effects.

6. Price must help readjust the industrial structure and achieve the rational utilization of resources. On the one hand, structure readjustment includes the initial proportion of the energy structure and, on the other hand, the continued processing of crude oil, the proportion between refined oil and petrochemicals, and the proportion between large and small refineries in oil refining. Fixing a rational price can handle the relationship between petroleum and other substitute energy sources comparatively well and help in developing oil as well as developing natural gas, hydroelectric power, and nuclear power. Oil price readjustment can support the development of large refineries and of the petrochemical industry, and restrain the development of small refineries and small native furnaces known for low effects and high energy consumption.

When discussing oil prices, all countries, be they oil-producing or oil-importing countries, face the problem

of the relationship between their domestic oil price and the international oil price. China is no exception.

Before the 1970's, all along the international oil price was lower than China's domestic crude oil price, being around \$3 per barrel. According to the foreign exchange rate at that time, 1 ton of crude oil was worth about renminbi 30 yuan or more. Since the 1970's, after passing two oil crises, the oil price rose sharply. One was occasioned by the 1973 Middle East war, when the oil price rose from \$3 to \$11 a barrel. The other was occasioned in 1979 by the Iran problem, when the oil price rose from \$18 to \$34 a barrel, and in November 1979, it rose to \$40-44 a barrel. Beginning in 1982, due to supply exceeding demand in the world market, the oil price began to fall. It reached its lowest point in July 1986 when the lowest price for North Sea oil touched \$10.80 a barrel. Subsequently, as a result of the adoption of an oil production protection and restriction system, the oil price was stabilized at \$18 a barrel. Subsequent to Iraq's 1990 occupation of Kuwait, the oil price at one time rose to over \$25 a barrel, but following participation in the war by armed forces of various countries, the oil price did not rise but dropped to under \$20 a barrel, nearing the price level before the Gulf war. Determinants of international oil prices usually consist of such factors as resource supply, consumption demand, political and other special or emergency occurrences; resource supply and consumption demand are the deeplying causes and generally control the medium- and long-term trend of oil prices; sudden occurrences cause short-term changes in the oil price.

Naturally, the oil price has a counteraction on the development of resources and consumption demand. High-price oil stimulates the development of crude oil prospecting, thereby increasing oil production; increased oil production adds to crude oil supply and in turn causes a drop in the oil price and this is followed by an increase in consumption volume; after the oil price has fallen a certain extent, certain high-risk and costly prospecting work will cease and oil extracting activities will shrink because of the excessively low oil price. Oil production volume will then again fall, and the oil price will again go up. This regulated occurrence actually brings about a sort of "self-readjustment," and the basis of this sort of readjustment provides the assurance for oil resources and growth of demand. Therefore, in viewing the prospects of future international oil prices, principally we should research the supply of world oil resources and the growth of world consumption demand.

According to the statistics of WORLD PETROLEUM magazine, in the 10 years from 1979 to 1989, the world's annual oil production volume dropped from 3.135 billion tons to 2.981 billion tons. This was not because of the drying up of the world's oilfields but because of the world's oil consumption demand dropping from 3 billion tons to 2.8 billion tons and the imposition of oil-production restrictions by certain countries. Simultaneously, resources not only did not decrease, but actually increased. From 1979 to 1989, the world's extractable

surplus oil deposit volume increased from 78.6 billion tons to 127.8 billion tons, an increase of nearly 62.5 percent. According to the authoritative estimates made by WORLD PETROLEUM and OIL AND GAS magazines, the world's ratio between oil reserves and extraction was 43, that is to say, based on the annual oil extraction volume of 3 billion tons, the entire world's oil deposits can last 43 years. According to an estimate by an oil expert, Gan Kewen [3927 0344 2429], the world's annual oil consumption demand is increasing at a rate of 1 percent a year. Considering the historical records that from 1973 to 1988, crude oil consumption, starting from 2.7 billion tons, went up to 3 billion tons but finally dropped to 2.8 billion tons, this estimate should be said to have been a little on the high side. However, calculated on this basis, in 2000, the world's annual oil consumption will be 3.22 billion tons and in 2020 3.93 billion tons. The cumulative production volume, starting from 1988, will be 41.85 billion tons by 2000 and will be 112.7 billion tons by 2020. In comparison, from now on, even without the discovery and development of new oilfields (this is an impossibility), the existing volume of oil deposits should be able to meet consumption demands up to 2020. Based on the above analysis, we may make the bold forecast that prior to 2000 the international oil price will be generally around \$18-20 a barrel. There may be fluctuations, and sudden occurrences can also affect the oil price, but the time involved will not be too long. The situation in China is different. The volume of domestic demand has increased at a rate of 4-5 percent a year. Each year, the increase in the reserve volume which can be converted into oil production energy nearly cannot compensate the volume of oil extracted. In the oil market, demand exceeds supply, oil supply is in a very tense state, and production in many large oil refineries is in a half-suspended state because of the insufficient oil supply. Under such conditions, beginning in 1988, the "two sources of resources" measure came into use. The measure called for the full and rational use of domestic resources and, making use of the advantageous conditions of oil supply exceeding demand in the international market and of its oil price being lower, the importation of international crude oil for domestic processing. This has helped to ease the tense oil supply situation and enabled our enterprises to operate at full capacity. Over the past years, execution of this measure has produced fairly good results, and the yearly oil import volume has continuously increased. Simultaneously with the importation of oil from abroad, China further earmarked a portion of the oil originally planned for export to sell inside the country for foreign exchange earning. This has solved the problem of foreign exchange earning and also eased domestic oil demand.

To achieve the dual objective of fully utilizing the supply condition of international oil and at the same time avoiding over-dependence on international oil, the following two points should be closely observed: 1) Importing of oil for domestic sale should achieve the objective of restricting and restraining consumption and



should not stimulate an excessive increase in consumption. In China, if raising the oil price and importing oil from abroad for processing and for sale at a high price cannot restrain consumption, then it will be very dangerous. In particular, under the public ownership system, the commodity price's role in regulation and control is not as important as administrative tactics. If it is not employed properly, then whether or not the enterprises incur deficits and whether or not there is a rise in commodity prices, all the enterprises care about is that they have oil for their use. The outcome will be that imports keep on increasing, and the enterprises' deficits continue mounting; China will suffer from increasing financial deficits, and the country's finances will find it hard to bear. Use of foreign resources to restrain domestic consumption and maintaining the balance in general between China's oil exports and imports will be beneficial to China's economic development, but we should proceed cautiously; otherwise, there will be adverse results. 2) Utilization of external oil resources to protect China's oil resources, proceeding to the outside world to prospect and develop oil, and transporting the portion of China's share of the oil resources extracted back to the country for home consumption. This will enable the domestic market to obtain reliable and stable oil supply and it will not be too dependent on external oil, thus averting the catastrophe of war, sudden occurrences, or a sharp rise in the oil price. In recent years, through cooperation abroad in prospecting and developing offshore oil and natural gas resources, China has acquired the conditions in technology and equipment to proceed to the outside world to prospect and develop oil and natural gas. With such conditions, China should proceed to the outside world to seek medium and large oil and natural gas fields possessing large deposits which are not too deep in the ground. Thus it should just join forces with foreign countries in prospecting, developing, and enlarging oil and natural gas supplies. This implies temporarily putting off the development of China's own marginal inland and near-shore oil and natural gas fields. By so doing, China will feel no harm even though the import volume of oil exceeds the export volume. It will only be a case of reciprocal replenishment and China will be able to protect its own oil and natural gas resources, satisfy the domestic demand for oil and natural gas, and, at the same time, foreign exchange will be earned. Therefore, there will be much accomplishment and huge returns.

### III. Trend of China's Oil Price

An analysis of the international oil price situation concludes: The potentials of oil resources are still very great, demand does not rise rapidly, and it is estimated that prior to 2000 the international oil price will generally fluctuate around \$20 a barrel. China's oil price reform should generally be suited to it and China should cater to the international oil price and rationally fix the domestic oil price. Concretely speaking, from now on China's oil price reform should proceed along the following lines:

1. Gradually changing the oil price from the "double-track" to the "single track" system. There are two methods to bring this about: One is to convert the price of a portion of the parity-price oil into that of high-price oil so that after a few years, the price of all the parity-price oil will become that of high-price oil and there will be a single oil price, namely, that of the high-price oil. The other is to employ the weighted average method to seek the average price of the two prices, cut down the price of high-price oil and raise the price of parity-price oil, thus putting into effect an average price. In comparison, the former is easy to put into operation, conforms with the basic principle of fixing oil prices, can easily raise funds for oil prospecting and development, and thus can play an active role in facilitating the petroleum industry's development.

2. Fixing a rational domestic oil price, using the international oil price as the basis. Too low a domestic oil price will stimulate consumption and reduce financial receipts and the oil industry will have to depend on government subsidies for development; on the other hand, too high a domestic oil price will lead to increases in commodity prices and damage the consumers' interests.

3. On the precondition of taking as the principal factor mandatory price fixing by the state, adequately increase the volume of oil without a fixed price, putting into effect market regulation and adjustment. Petroleum being an important and strategic resource material, its price cannot be completely let loose and sorely requires state control. But aside from the pattern of mandatory distribution and price fixing, it is possible to strengthen a portion of guidance planning, fix the direction but not the price, and allow the end-users and the production department to fix the price in negotiation. Naturally, in the beginning carrying out this work may meet with certain difficulties, particularly with the state-owned enterprises, but a good job can still be done in this connection if appropriate administrative tactics are employed and if the oil price fixed in negotiation is acceptable.

4. Appropriately increasing the volume of oil which can be procured in foreign exchange inside the country. By so doing, the objective of balancing foreign exchange earnings can be achieved and, at the same time, the tense situation in oil supply inside the country can be resolved. This portion of oil can consist of offshore oil jointly developed with foreign merchants, or inland oil developed with foreign loans and originally intended for export to repay the loans, or oil for export but converted to internal sale. In short, there are many channels available for so doing, but the selling price should be linked with the international oil price, accompanying its rise and fall. Because this portion of oil is bought and sold in foreign exchange, the volume involved should not be too large and at the same time strict control should be enforced over its consumption; otherwise, the whole plan will be derailed and will fall apart.



5. The price of natural gas should also be correspondingly raised to promote the development of the natural gas industry and to relieve the excessive demand for oil inside the country. Natural gas is an energy source of superior quality and is also a superior raw material for the petrochemical industry. In many respects it can take the place of crude oil. Its price should be raised greatly to promote and encourage the natural gas fields to seek more gas deposits and to increase production. The natural gas industry should be intensively developed, so that clean, clear, and cheap natural gas can extensively replace petroleum, lessen the country's excessive dependence on oil, and stabilize the domestic oil price.

6. Fixing the oil price should be in close unison with China's national conditions. Though being large oil producing and oil exporting countries, such countries' national conditions are vastly different. Although in economic construction China has achieved vast successes, yet the speed of its agricultural development is not up to standard, its industrial foundation is rather weak, it has too large a population, the agricultural population is excessively in the majority, its labor force is cheap, its culture is of low quality, and the equipment of its various industrial enterprises is aged and highly energy-consuming. Facing such conditions, market demand cannot completely copy the high-price oil policy of Western countries. Readjustment can only be made within a designated scope of the rise in the commodity price index. At the same time, when readjusting the oil price or when converting the price of parity-price oil into that of high-price oil, it is definitely necessary to protect the interests of the consumers of oil in agriculture and the armed forces and the interests of oil for export, to truly assure protection of the overall interests of the national economy and also to devote the utmost efforts to protecting the consumers' interests.

## AGRICULTURE

### Grain Policy, Farmer's Earnings Explored

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[Article by Ye Zhenqin (0673 6297 3830), Farming Department, Ministry of Agriculture: "A Look Backward and Forward at China's Grain Policy"]

[Excerpts] During the Seventh Five-Year Plan, China's grain production stagnated for several years, markedly increasing only during the past two years. In 1990, the country's grain output reached 435 billion kilograms for an all-time high. Accompanying changes in grain production and in supply and demand during recent years has been very great changes in grain policy as well, which have had a major impact on both grain production and supply and demand. Further impetus to the development of grain production and the balancing of supply and demand will require review and reflection on policies used to develop

grain production during the Seventh Five-Year Plan as a basis for studying and exploring grain policy during the Eighth Five-Year Plan.

### 1. Review of Grain Policy During the Seventh Five-Year Plan [passage omitted]

### 2. Several Insights Resulting From Reflection

(1) The basic point of departure in formulating grain policy is to help arouse to the full the interest of the peasants in production. During the enormous increase in grain output in 1984, and following the "difficulty selling grain" that occurred in some areas, our estimate of the grain situation was overly optimistic for a time. In the readjustment of grain policy, we failed to give adequate consideration to protecting the peasants' enthusiasm. The too precipitous, too rapid, and too great a change in policy that included abolition of the added price paid peasants for excess purchases, and institution of the inverse 3:7 ratio price system—whereby the purchase price is calculated at 30 percent of the state purchase price and 70 percent of the excess purchase price—reduced peasant income in new commodity grain producing areas. When the market price of grain fell, the government reacted by throwing on the market tens of billion jin of grain purchased at the parity price for sale at negotiated prices in order to readjust the industrial structure and to use grain in a work-relief program. As a result, the already overly low market price of grain declined further. This seriously dampened the enthusiasm of the peasants to become a main reason for the 1985 decline in grain production. In addition, after the state abolished price subsidies for the means of production used in agriculture for years subsequent to 1984, prices shot up excessively causing a dramatic rise in grain production costs, but the state did not take vigorous action to halt the rise in prices of agricultural means of production. It made only tiny increases in the price paid peasants for grain. Consequently, the much too low relative returns that the peasants made from growing grain remained unchanged, and this was also a major reason why grain production remained at a standstill. Despite the appearance of "difficulty selling grain" in some places today, this results largely from inadequate work to improve commodity circulation links; it positively does not stem from another increase in the amount of grain. In fact, the precarious balance between supply and demand for grain has not changed; the per capita amount is still lower than the all-time high. Attainment of the goal of 500 billion kilograms by the end of the present century to satisfy needs for development of the national economy and the people's livelihood poses extremely challenging problems for future grain production. Therefore, the goal of grain policy at all times must be to concentrate on protecting and arousing peasant enthusiasm in order to help protect and advance grain production.

### (2) Reform of the Grain Procurement and Marketing System Must Be Coordinated.

The 1985 orientation of reform of the centralized procurement and centralized marketing system for grain,

which fixed contract procurement and which brought market procurement into being was correct. In reality, however, only centralized procurement was reformed, but centralized marketing was not touched. When the fixed contract procurement price was raised, the sale price of grain was not correspondingly increased, and when the amount of fixed contract procurement was reduced, the amount of grain sold at the parity price was not correspondingly reduced. This produced a steady expansion of the inversion between the grain procurement and sale price, and the amount of grain procured and sold, which caused a steady increase in the state's financial burdens. Since 1985, the amount of fixed contract procurement has fallen from 79 billion kilograms to 50 billion kilograms, while parity price grain outlays have increased from more than 65 billion kilograms to more than 70 billion kilograms for a more than 20 billion kilogram shortfall. This shortfall must be made up through imports and by increasing the amount of grain sold at the parity price and that has been purchased at negotiated prices. Not only has this increased the state's burden, but it has also narrowed the extent to which grain markets can regulate prices, has reduced the peasants' income, and has given rise to serious incongruities. Although the state took a series of actions to perfect the fixed contract procurement system and arouse the peasants' interest in production, because of the enormous rise in prices of the agricultural means of production, grain production costs increased dramatically. Most of the advantages that derived from raising the procurement price of grain and the "three linkages" were eaten up by rising costs; thus they had no beneficial effect in stirring peasant interest in production. Practice shows that reform of agricultural means of production prices must be coordinated with the grain procurement and marketing system. The overly rapid rise in prices of the agricultural means of production must be controlled.

**(3) Need For Full Respect of the Laws of Value While Improving the Plan Character of Fixed Contract Procurement.** Fixed contract procurement is the main component of national grain procurement. Its purpose is to ensure the main source of grain for the inhabitants of cities and towns, the armed forces, and other purposes for which grain is used. It is an important integral part of state plan whose fulfillment must be guaranteed. During the past several years, however, thanks to overly low fixed contract procurement prices and overly low "three linkages" standards, many jurisdictions have either not honored fixed contract procurement, have not honored it in a timely fashion, or have been prevented from honoring it by departments and units concerned. Consequently, peasants have been unwilling to sell, which has led to conflicts between the peasants and the state for a dampening of peasant interest in grain production. Therefore, even though fixed contract procurement is a task called for in state plan, it must fully obey the laws of value. Fixed prices must be gradually raised for fair exchange with the peasants. This is the only way to help

stir peasant interest in growing grain, and it is also the only way to help insure fulfillment of fixed procurement contract quotas.

**(4) Need For Better Macroeconomic Regulation and Control Methods While Enlarging Market Regulation.** With curtailment of the amount of fixed contract procurement following abolition of centralized procurement, the scale of market regulation and control expanded steadily; nevertheless, we failed to give sufficiently serious attention to the building of market regulation and control capabilities. Practice has demonstrated that without better macroeconomic regulation and control of market regulation, all spontaneous regulation of prices is bound to have a direct adverse effect on grain production. Following the fall in grain production in 1988, market prices rose dramatically. Since state market regulation and control capabilities were poor, grain departments were unable to play a role as "storage batteries." They could only allow grain prices to continue to rise, which had a bad effect on the development of economic stability. Having learned this lesson, following the bumper grain harvests of 1989 and 1990, the state promptly decided to set up a special grains reserve system and to operate grain wholesale markets on a trial basis. This played a major role in stabilizing grain markets. These positive and negative experiences showed that in addition to bolstering fixed contract procurement of grain and partially removing restrictions on grain dealings, the state must set up a sound macroeconomic regulation and control system for dynamic and effective market regulation so that market fluctuations are not too great to the detriment of stable development of grain production and the entire national economy.

**(5) Need To Take Full Advantage of Local Interest in Developing Grain Production Simultaneous With Arousal of Peasant Enthusiasm.** State contracting of grain procurement, marketing, and allocation with local jurisdictions has played a definite role in enhancing local government interest in the development of grain production. Governments at all levels have used various forms of interference since 1989 in the level-by-level implementation of grain production goal responsibility systems, which have played a major role in increasing the command character of production plans and in giving impetus to the revival and development of production. Nonetheless, implementation of the government financial contract system for grain procurement, marketing, and allocation has put very great pressures on grain-exporting parts of the country, but its role in stimulating production in grain-importing parts of the country has not been very great. For various reasons such as overly low grain prices and the irrational procurement and marketing system, the problem of the more grain produced, the more grain shipped, and the more grain stored; the greater the economic burden on grain producing areas has not been solved. When the grain supply and demand situation eases, in particular, this situation is even more pronounced. Therefore, of even greater

importance in maintaining sustained and steady development of China's grain production is policies that stir the interest of grain growing areas.

### 3. An Examination of Grain Policy During the Eighth Five-Year Plan

While taking vigorous action to increase the building of basic facilities and doing all possible to develop scientific education in order to invigorate agriculture, further perfection and adjustment of relevant existing grain policies is needed in order to spur the sustained, steady development of China's grain production.

**(1) Further Straightening Out of Grain Purchase and Sale Prices.** It is recommended that in view of the price ratio between industrial and agricultural products and the price ratio among different agricultural products during the years 1982-1984, which was a period of unprecedented stability and coordinated development of grain and cash crops, and in view of market grain prices, fixed contract procurement grain prices should be gradually raised while the sale price of parity price grain is adjusted so that the purchase price and the sale price of grain become virtually the same.

**(2) Perfection of the State Fixed Grain Procurement Price System.** So long as the amount of grain that the state purchases is maintained at 50 billion kilograms of trade grain for the nation as a whole, province, autonomous region, and directly administered city fixed grain procurement can be adjusted anew, and new quotas set as the development of grain production and the supply and demand situation in each jurisdiction permit. In this way, the unequal sharing of weal and woe of fixed procurement quotas, and the attaching of too little weight to one matter and too much weight to another can be changed. The "three linkages" must continue to be enforced in fixed procurement, and state-set standards and prices must be strictly honored. Specifically, each jurisdiction can link chemical fertilizer sales to grain procurement, offer discounts on the difference between the parity and negotiated price of diesel fuel, and subsidize interest on state pre-paid earnest money, figuring all these things directly into the price paid to peasants for grain when they fulfill their fixed procurement quotas.

**(3) Prices Genuinely Tracking the Market For Grain Sold After Satisfaction of State Fixed Procurement Quotas.** Only after the system whereby a county has to fulfill its fixed contract procurement quota is abolished can channels for grain dealings open up, each peasant household being able to market its grain once it fulfills its fixed contract procurement quota. Small scale grain dealings in peasant markets should be permitted year round, and local policies limiting grain circulation should be abolished. Once state fixed grain procurement quotas have been fulfilled, market restrictions on grain dealings should be removed, dealings through numerous channels permitted, thereby infusing traditional forms of grain dealing with a greater market element.

**(4) Gradual Contraction of Entitlement To and Availability of Parity Price Grain.** During the Eighth Five-Year Plan, grain supplied to other than city and town inhabitants and the armed forces should be at the negotiated price rather than the parity price, the amount of grain sold at the parity price reduced to around 50 billion kilograms, an amount roughly corresponding to the fixed contract procurement amount. First, grain for staple food, non-staple food, brewing and distilling, and livestock feed industries should be supplied at the negotiated rather than parity price, or alternatively at the market-regulated price. In addition, grain ration amounts and standards should be reset, special grain rations for selected occupations abolished, and ration standards moderately cut. During the last three years of the Eighth Five-Year Plan, only city and town inhabitants and the armed forces should be supplied grain at the parity price, grain for all other purposes being sold at either the negotiated price or the market-regulated price.

**(5) Perfection of the Special Grain Reserve System.** The state should set up special grain reserve loans, and it should adopt preferential policies including modest subsidies and tax reductions or exclusions to encourage local governments, collectives, and peasants to build storage facilities for the gradual fashioning of a multi-level state, local government, collective, and peasant household grain reserve system.

**(6) Strict Control Over the Rise in Prices of the Agricultural Means of Production.** In order to stabilize prices of the means of production, the state should institute command-style production plans to increase the availability from within plan of major kinds of chemical fertilizer, state uniformly allocated varieties of fertilizer, agricultural pesticides, and plastic sheeting. The problem of increased production costs stemming from high prices of raw and processed materials must be solved through fiscal subsidies, tax reductions or exemptions, or making enterprises swallow them. Prices of major kinds of chemical fertilizer, state uniformly allocated pesticides, and plastic sheeting should be uniform throughout each province. Lesser kinds of fertilizer should be marketed directly by producers to reduce the number of middlemen. Price protection policies should be instituted for enterprises that produce chemical fertilizer, agricultural pesticides, and plastic sheeting, governments at all levels providing them modest subsidies as a means of stabilizing prices of the agricultural means of production at a relatively reasonable level.

**(7) Perfection and Readjustment of the Parity Price Grain Allocation System.** In view of the changes that have taken place in grain supply and demand between one area and another in recent years, plans for shipping grain into some provinces and regions should be reduced somewhat, this reduction serving to reduce the fixed procurement and grain shipment quotas of areas that ship grain. Parity price grain allocation plans and allocation plans for grain purchased at negotiated prices that is to be sold at the parity price should be firmed up. Marketing areas that do not enforce these plans should

have their grain quota reduced, and they should be responsible for paying interest on funds tied up in grain held in warehouses in shipping areas. Grain shipping areas must also enforce the plan. They must properly increase allocation operating expenses and excess storage subsidies, which should be borne mostly by grain marketing areas so that producing areas do not incur losses on grain in storage and can profit from grain shipments.

**(8) Policies That Favor Grain-Producing Areas.** In the overall development of agriculture, in the building of commodity grain bases, and in providing credit and materials, the state should tilt policies to favor grain producing areas. They should provide priority and major support to the development of industries that produce materials used in agriculture and to agricultural by-products processing industries. For example, plans for

the building of large chemical fertilizer plants and the technological transformation of small county chemical fertilizer plants should give priority to major grain producing provinces and regions, and commodity grain base prefectures and counties.

**(9) Establishment of a Grain Production Technological Improvement Fund.** In the spirit of relevant State Council documents and on the basis of the experiences of some locales, it is recommended that government financial departments uniformly collect a grain technological improvement fee on units and individuals that use grain obtained through state fixed procurement and at negotiated prices for the establishment of a grain production technology improvement fund. This fund should be allocated to agricultural departments, primarily for use in the spread of sophisticated technologies.

### Leadership System To Oversee Social Order Proposed

92CM0238A Shanghai SHEHUI [SOCIETY] in Chinese  
No 2, 20 Feb 92 pp 29-31

[Article by Li Weiping (2621 5898 1627): "On the Leadership Structure for the Comprehensive Maintenance of the Social Order"]

#### [Text] I. The Pros and Cons of the Current Leadership Structure in Maintaining Social Order

The current leading organs responsible for maintaining social order are operating under a party committee responsibility system. Generally, party committees at the county level and above set up their own comprehensive social order maintenance leading groups. These are headed by party committee leaders in charge of politics and law and are made up of leading comrades of the people's congresses, governments, the political science and law departments, propaganda department, education department, cultural department, department of industry and commerce, department of taxation, labor department, finance department, labor union, women's federations, the CYL and so on. Specific tasks are carried out by an office under the leading group's jurisdiction. The office usually attaches itself to the party committee's politics and law committee. The leading group and its office are interim organs. This leadership structure was developed at a time when there was no strict separation of party and government functions. Under those historical conditions, it was a fairly ideal system and did play a positive role at one time. Its merits can be summed up in the following ways:

1. It makes it easy for the party committee to effect leadership: Leaders of party committees at all levels in charge of political and legal work are leaders of the comprehensive social order maintenance leading group. This makes it easier to put the social order maintenance tasks on the party committee's agenda to be considered, planned, examined, and implemented along with the other tasks, so that they are given reliable organizational guarantees at a fairly high level.
2. It facilitates the coordination of unified action. The Communist Party is China's ruling party. This status means party organizations at all levels can use their power to effectively mobilize and organize people in all trades, industries, and battlefronts, divide up the tasks among them, let each serve its purpose, and let everyone join the effort to maintain social order.
3. It facilitates the dissemination of propaganda and helps mobilize the masses: The party honestly represents the interests of the people. In our long-term revolutionary struggle and socialist undertakings, the party has proved itself in action and has worked hard on the people's behalf and has thus won the masses' wholehearted support. It commands great esteem among the people. Therefore, psychologically the masses are more

ready to accept and respond to a call from the party than from any other organization.

But in the wake of more thorough reform, especially after reform of the political structure was put on the agenda, the flaws of this comprehensive social order management leadership structure dominated by the party committee have become increasingly apparent when viewed against the principle of separating party and government functions. Specifically:

1. The party and government functions are not separated, and the party assumes the government's job. Article 51, Section 6 of "The Organic Law of the Local People's Congresses and the Local People's Governments at Different Levels of the PRC" stipulates that protecting the socialist people-owned properties, maintaining social order, and protecting the citizens' personal rights and privileges, democratic rights and privileges, and other rights are the important functions of local people's governments at the county level and above. Thus the job of maintaining social order should be performed mainly by the local people's governments at different levels. But the current leadership system for comprehensive management of social order headed by the party committees in fact allows the latter to do the government's job. This not only drags the party into and entangles it in many public order controversies, but also prevents it from focusing its energy on thinking about how to strengthen leadership of the management of social order and formulate the correct general and specific policies and extend proper guidance from above. Furthermore, in the long run, this will also make the government overly dependent on the party committee, which will prevent the government from playing an active and positive role in maintaining social order.
2. The system lacks the necessary material means by which to solve some of the concrete problems. To solve the social order problems, in addition to ideological and organizational guarantees, it is very important to have the necessary material guarantees. There must be real economic strength behind the leadership structure. This is because to maintain proper social order, there must be adequate investment in certain areas. Just as Comrade Li Peng said, we must "spend money to buy peace." Today, the political and legal departments are poorly equipped, work conditions are poor, funding is insufficient, the primary-level security police and cadres are underpaid, and a host of other practical problems remain unsolved. Besides ideological problems and misunderstandings, there is also an internal link between these problems and the flaws of the current leadership system for comprehensive management of social order.
3. The politics and law committee cannot handle the daily tasks of the comprehensive management office. The comprehensive social order management office at each level generally attaches itself to the party committee's politics and law committee. The latter has its own functions, duties, and assigned personnel, and it is very difficult for it to have to coordinate, guide, examine, and

supervise society's participation in the comprehensive management of public order in addition to coordinating the work of various political and legal departments. This is also one of the main reasons why some general and specific management policies and measures have never been vigorously enforced or implemented.

All these fully demonstrate that the current leadership structure for the comprehensive management of public order should be reformed and improved according to the principles of separating the party and the government, and developing the merits and avoiding the defects.

## **II. The Basic Functions of the Leadership Structure for the Comprehensive Management of Public Order**

Social disorder is the combined reflection of society's many conflicts; it has to do with many aspects in life on many levels. Comprehensive management of social order is a huge and arduous task. This means the leading organs in charge of this task must perform many functions. The author suggests the following as the main functions:

1. The function of directing and coordinating the tasks: Ours is a socialist nation. The socialist system mandates that overall, the interests of every region, department, unit, and mass organization are unanimous; there is no fundamental conflict of interests. But because of the division of labor in society and differences in jobs and duties, people tend to have different perspectives and different emphasis when addressing the same problems, and so it is inevitable that there are discordant links and elements that lead to disharmony at work, the shirking of duties, and the tendency to lay blames. For example, from the point of stabilizing overall social order, there should doubtless be a special policy toward people who have been released from the "two forms of labor" [reform through labor and re-educate through labor]. They must be treated properly to prevent them from committing crimes again. But some units only worry about staying "clean" and are refusing to accept these people or give them work. For another example, in consideration of the 100-year grand plan to nurture and develop a new generation of socialists, pornographic books and magazines and audio and video tapes should be banned. But some units only worry about making money and ignore society's interests and deliberately produce and sell pornographic materials, creating social pollution, corrupting social morals, and corrupting the minds of the younger generation. All these prove that there must be an authoritative leader to direct and coordinate society's unified action.

2. The function of formulating an overall program: Comprehensive management of social order involves every trade, every industry, every battlefield, and every member of society, and everyone is a target—vertically, from the central government, the provinces, and prefectures (cities) to the counties (districts,) towns (neighborhoods,) villages (residential areas,) groups and other grass-roots units, and across the board, including the

departments of politics and law, propaganda, culture, education, industrial and commerce, taxation, labor, financial organizations, as well as unions, women's federations, the CYL, and other mass organizations. Comprehensive management of social order not only involves the investigation of crimes already committed but also the examination of class, social, and historical causes of criminal conduct to come up with the proper measures to deal with them. Measures to ensure public order include compulsory measures such as law and discipline and economic means, but there are also non-coercive measures such as education, morality, and public opinion. The goals of maintaining public order include long-term goals as well as short-term goals. Without an overall, scientific program and without diligent effort to put the program to work, it will be impossible to handle such a huge social project that involves every facet of society.

3. The function of investigating and studying the problems: To investigate and study is to follow the ideological line of seeking truth from facts and is an important way of effecting correct leadership. Because social order problems are the comprehensive reflection of society's many conflicts and embody many problems, we will find the key problems among the many conflicts and the key aspects of a specific problem and in turn grasp the essence and the critical point and make a correct judgement and decision only by investigating and studying through different channels and from different perspectives to understand and grasp the situations and trends, by gathering and possessing as much "first-hand information" as possible, and by diligently separating, analyzing, combining, and summerizing the information to "discard the crude and abstract the fine, discard the lies and retain the truth." Only in this way will the comprehensive management tasks be accomplished in half the time with twice the results. Moreover, during the current reform and opening up, many new situations and problems pertaining to public order have emerged. For example, after the rural areas implemented the family-based output-related contract responsibility system, the role of the collectives has relatively diminished, and this has made it even more difficult to help-and-educate or monitor-and-supervise people who have committed minor crimes. Or, after expanding enterprise operation and management rights, a handful of enterprise leaders have abused their power and tried to fatten themselves at the expense of the state and so on. These phenomena urgently await in-depth studies and investigations. We must find the causes and formulate proper countermeasures and deal with them seriously. Thus, investigations and studies have become an indispensable function of the leading organs in charge of comprehensive management of public order. Only by doing a good job in this area can we realistically seize the work initiative.

4. The function of monitoring and supervising the tasks: Comprehensive management of public order is a permanent and constant task. This means all trades, industries, and battlefronts must persevere and acquire a serious attitude. But industries, departments, and units have

different roles to play and different responsibilities to bear in the management of public order, and so they may have different opinions about the importance of this mission. Some may put enough emphasis on the matter, but others may not; some may give it top priority while others do not, and some may pay very close attention while others do not. This means we need to have a leadership organ to monitor and supervise the tasks and make sure that the work to maintain social order is truly being carried out.

5. The function of drawing up laws and regulations: Looking at the actual work carried out at the local level, to make sure that the social order management measures are put into effect comprehensively and diligently, one basic measure is to vigorously strengthen the legal system pertaining to social order, so that the relevant general principles, specific policies, measures, and experiences that have been proven in practice to be correct and effective can be made permanent in the form of laws. They will become the will of the state and become the standards which all trades, industries, battlefronts, and all citizens must live by. This will gradually institutionalize, standardize, and legalize the comprehensive management of public order to minimize recklessness and arbitrariness and make people more conscious about abiding by the law, putting the comprehensive management tasks on an even firmer and more reliable base.

### III. Several Ideas on Developing a New Leadership Structure for the Comprehensive Management of Social Order

The general idea is to develop a multi-level, networking leadership structure headed by people's congresses and their standing committees at different levels, and the people's governments should be responsible for carrying out specific tasks while society in general cooperate closely and join in the effort. The general framework is as follows:

1. Standing committees of people's congresses from the central to the local levels should set up their own comprehensive public order management committees. They should become regular functional organs of the people's congress's standing committee and should be in charge of the comprehensive management tasks.

2. From the State Council down to the local people's governments at all levels, every level should have a public order management office. It should become a regular part of the people's government to carry out specific public order maintenance tasks. To make these offices sharp and efficient, staff size may vary from level to level: Province-level, 7-10 people; prefecture (city), 5-7 people; county (district,) 3-5 people; township (neighborhood,) 2-3 people.

3. Village-level (residential area) public order maintenance work should be organized by party and political leaders at that level. Specific tasks should be carried out by public order preservation committees and civilian arbitration committees at that level.

4. All organizations, groups, enterprises, and institutions should also set up their own public order maintenance small groups under the leadership of the party committee or administrative organs; leaders of the functional sections and offices should participate. They should also set up permanent offices equipped with designated personnel to handle the everyday tasks. The office should be called Comprehensive Social Order Management Office, and staff size may vary: Enterprises, institutions, and mass organizations, 3-5 people; medium-sized units, 2-3 people; small units, 1-2 people, or assign the work to someone as a concurrent job.

In the author's opinion, this new leadership structure for maintaining social order has the advantage of preserving the existing leadership structure, but it also overcomes the disadvantages and is clearly a superior structure.

1. It helps to strengthen leadership. First, implementing this new leadership system can help the party committee reduce its heavy load of regular chores in maintaining social order so that it can have more time and energy to consider major policies to deal with the problem and do a better job guiding the tasks from the top and formulating an overall program and so on. This will help remedy the defects of mixing party and government or allowing the party to take over the government's job. This is consistent with the reform direction. Second, the People's Congress and its Standing Committee are the core of the organs of state power and play the lead role. All organs of state power (administrative and judicial) are elected by the People's Congress and are under its supervision and are responsible to it. For this reason, People's Congress and its Standing Committee have supreme power among the state organs. It is only proper that they should be in charge of public order management. This facilitates the centralization of leadership.

2. It facilitates the formulation of an overall program. People's congresses at all levels and their standing committees work under the party committees at their respective levels and are relatively independent, so that they can follow the party's line, principles, and policies to represent the interests of the whole people and at the same time also formulate a more scientific and practical overall program that takes into consideration society's real conditions. They can follow the basic direction of comprehensive management at the macro level and guarantee that the management work will develop in depth and in breadth step by steady step.

3. It helps to mobilize society's enthusiasm. People's congresses at all levels are made up of deputies who are elected directly or indirectly by all citizens. The deputies are representative in a broad sense. They fully reflect the interests and the will of the people of all nationalities. It is the deputies' duty to represent the people in discussing and deciding major local and national issues in the people's congresses at different levels and to exercise the rights and privileges as masters. At the end of a session, the deputies return to their units or constituencies to lead and organize the people in implementing the laws,



rules and regulations, and decisions and also supervise the actual work. In this way, they can disseminate propaganda and mobilize the people to the greatest extent and rouse society's enthusiasm in taking part in maintaining public order.

4. It facilitates the solving of specific problems. The people's congresses have vast powers which include the power to make laws, to appoint and to dismiss, the power to decide major issues, and power of supervision. There is no limit to the exercise of these powers. Exercising legislative power can accelerate the institutionalization, standardization, and legalization of the comprehensive management tasks. Exercising the power to make major decisions can accelerate the creation of the management organs, personnel assignment, and funding.

5. It facilitates legal examination and supervision. "Unification of discussion and implementation" is an important characteristic of China's system of people's congress. "Unification of discussion and implementation" means uniting legislation and administration, unifying "debate" and "action." The Constitution requires that the National People's Congress and local people's congresses set up specialized legal, finance and economics, science, education, culture, and public health standing committees. Under the leadership of the National People's Congress and local people's congresses and their standing committees, these committees are responsible for studying, discussing, and formulating relevant proposals, and they assist in investigations and also supervise and monitor compliance with the Constitution, laws, and decisions. At the end of the regular sessions of the National People's Congress and the local people's congresses at or above the county level, the respective standing committees which are permanent organs guarantee continuity of the work of these organs of state power and provide regular legal supervision. They unconditionally protect the authoritativeness of the organs of state power and guarantee the subordination of the administrative organs to the organs of state power. This unique characteristic of the People's Congress provides the most effective guarantee toward more stringent examination and supervision of comprehensive social order management.

### Spreading Drug Problem in Shaanxi Province

#### Case Histories

92CM0257A Xian SHAANXI RIBAO in Chinese  
28 Mar 92 p 5

[Article by Hui Baotan (1920 1405 6223) and Si Hongmeng (0674 7703 5536): "Drug Taking—A Spreading Cancer"]

[Text] On 22 December 1989, the Standing Committee of the Shaanxi Provincial Congress passed "Shaanxi Province Regulations Prohibiting Drug Sales and Drug Taking." One year later, the NPC also passed "Decisions

on Drug Prohibition." These resounding successive warnings tell us that drugs—this vicious social cancer—are spreading!

Atop a high concertina wire-fringed wall, People's Armed Police carrying Mausers loaded with live ammunition patrol. In every country, the law expresses its majesty in a similar fashion.

A year later, when the writer made a survey at the province's No 4 Labor Reform Detachment, he also heard one criminal after another denounce drugs.

These words came from 39 drug takers among the 97 offenders who entered prison most recently. Thirty-five of the 39 were thieves and robbers, virtually all of whom traveled a path that slipped downward step by step from "drug taking, to selling everything they could move from their homes, to theft and robbery, to having the prison doors clang behind them."

#### The Devil's Lure

Opium and heroin are drugs that cause untold harm and no benefit to people. So why is it that so many people scramble to take them, not caring that they ruin their own future, their freedom, or even their lives!

One need go no farther than the following to find the explanation:

#### 1. The Psychological Make-Up of the Drug Takers Is Poor; They Lack Full Powers of Judgment and Sufficient Immunity.

In terms of education, only one of the 39 was a technical school graduate, and one was a senior middle school graduate; all the others had a primary school education or less. Furthermore, their scholastic record and performance had been relatively poor. Nearly half of them had dropped out of school because of inability to keep up with their studies, and another two had been kicked out of school.

In terms of age, the oldest of the 39 was 31, and the youngest was just 18. Ninety percent were between 20 and 30 years of age, and many were students who had just left school. All had begun to use drugs before they were 25.

Their low educational level, their extremely immature age, and their lack of experience in society made them unable to fashion a correct and firm world view or conception of life. They were unable to differentiate clearly between right and wrong or good and bad, and they were unable to resolutely oppose the corrosive effect of bad habits! As one 21 year old offender said:

"For us junior middle school students, our school education was limited. In particular, our education about the law was very weak.... My understanding of life was much, much too slight. When I started out in life I had many high ambitions and ideas, but when I ran into difficulties, I withdrew. At home, my parents were very



good to me. I lacked for nothing, and they often gave me good guidance. They wanted me to be a decent person. But I did not listen to my parents. I got hooked on opium and took a road of crime...."

## 2. Serious Imbalance Between Material and Spiritual Life.

Material civilization has grown by leaps and bounds ever since the advent of reform and opening to the outside world, but because of some policy mistakes, spiritual civilization has gone down hill. Many "materially rich but spiritually impoverished people" have appeared on the soil of our republic. When some people, particularly the not very well educated who have become rich overnight, no longer have to figure night and day, skimp on clothing, and deny themselves food in order to buy a piece of furniture—once they "lack for nothing"—they experience a feeling of loss. So they resurrect vicious habits that were stamped out long ago. It is then that drugs come forward to fill the void.

Criminal Zhao's record provides excellent testimony. In 1984, he was demobilized from the armed forces with a proud record. Three years earlier, he had been sent off to camp to the sound of drums and gongs; now, three years later he returned with a certificate of commendation. Not long afterward, he was assigned to the supply and marketing department of a state-owned enterprise where he gradually discovered that many of his former classmates and friends had become rich while he had been away in the armed forces. They rode around in taxis, visited wine shops, and frequented dance halls. They had everything they wanted, and they could do anything they wanted. But he had nothing. This made him suddenly discover the lure of money. Thanks to the efforts of many people, he was able to take leave without pay and contract the operation of the messhall in the labor service company of a certain factory. Several years later, he finally had all the money he could spend. He enjoyed everything he should enjoy, and went on to enjoy things he should not enjoy. Demon opium became his constant companion. In the twinkling of an eye, he lost everything, and finally he lost his freedom because of the robberies he committed!

## 3. Loss of Human Values.

A certain Wei was arrested, and he will spend the finest decade of his life inside the high walls. Wearing an expression of shame and remorse, he told the writer the following:

"I graduated from junior middle school in 1983, my head filled with dreams, confidence, and determination to follow in my father's footsteps. At first, I worked hard, lived a thrifty life, and was highly regarded by my leaders and colleagues. I was several times commended as an advanced worker and an outstanding member of the youth corps. I even took part in the youth league cadre training class organized by the provincial CPC committee organization. However, I don't know when it began, but I gradually discovered that other people did

not regard being 'advanced' and 'outstanding' as such a big deal, and I too felt more and more that it had no meaning. Thus it was that I began to associate with some shady 'friends.' Later on I became addicted to mahjongg and opium...." Quite a few people have a track record of mistakes similar to Wei's. They also started out with unbounded ideals and a shining youth, but they could not stand up to the devil's temptations, and they gradually slipped toward the prison gate.

## 4. The Filthy Cesspool.

"I have a friend who smokes opium. When I went to his house, he offered me a puff. I said I did not want to, that it was poisonous. But after he offered it to me several times, I thought I would like to see how it tasted. This was the way I began to smoke it, one puff after another....

Without exception, the first time all of the 39 addicts took drugs they were seduced by a "friend." A "friend" provided them the drug, showed them how to use it, and then got them addicted to drugs. But almost all of these "friends" are what people call "loafers."

One common characteristic of loafers is "loafing." They are interested in nothing and have nothing to do. All day long, they hang out in the streets, dance halls, movie theaters, and gambling halls. They sneer at all correct value concepts, respecting only a single "righteousness." They regard "enjoying good fortune together and sharing hardships" as a golden rule and a precious concept, never distinguishing which of them is right or wrong, crooked or straight. Yesterday A lost out in a fight with another person, so today B brings C along to seek revenge. Today B is planning to steal a color television, so he gets A to stand lookout for him. Tomorrow C gets a packet of opium that he asks A and B to enjoy with him.... In this way, millions upon millions of filthy "cesspools" form in corners all over the republic, and one scrawny "opium addict" after another crawls out of them.

## 5. Astounding Consumption.

When the devil lures one living person after another into hell under various fine guises, he reveals his hideous nature. The attitude of the seducer toward the seduced also changes as his drug habit progresses from "free gift" to "collection of a small fee," to "so much cash for so much goods." And once the drug user is hooked, he has no choice but to sell all his property, his soul, his flesh and blood, and even his wife and children to them, becoming their slave, heart and soul.

The drug taker's consumption is usually figured by the day. "So many packets a day" or "a packet every so many days" was the way the 39 drug takers replied to the question about how much drugs they usually used. Statistics showed that they spent a minimum of 20 yuan and a maximum of 55 yuan per day on drugs. The average daily amount for the 39 drug users was 55 yuan. This means that each of them spent more than 1,600

yuan per month on drugs, an amount equal to the entire annual earnings of a university undergraduate!

Offender Wang had a substantial income, thanks to this wife's clothing business. He had savings amounting to between 50,000 and 60,000 yuan. After taking drugs—first at between 50 and 80 yuan per day, and later increasing to between 180 and 200 yuan per day—in less than two years all of his savings and property were entirely depleted.

During April 1991, three offenders named He, Wang, and Liu stole more than 9,700 yuan in cash. All of the dirty money they obtained, except for what they used to buy a suit of clothes and share a bath one time, Wang and He put into the hands of drug dealers within 2 months.

A certain Shao did not lack for money since his older brother was in the hauling business, his wife ran a store, and he himself drove a taxi. Furthermore, he knew a lot of people of all kinds. He could buy for 60 yuan drugs for which others would have to pay 200 yuan. Nevertheless, he still did not make enough to pay his bills, and finally took to robbery.

#### 6. A Bitter Pill To Swallow.

The spread of drugs gives both drug takers and society many bitter pills to swallow.

Once a person becomes hooked on drugs, selling off everything he owns become a necessity. Accompanying collapse of the home economy, difficult to mend rifts appear in the feelings of many families. Of the 39 drug users, all but one offender, who did not live alone as yet because he was too young, had reduced their families to utter destitution. Now, approximately one-third of the offenders have received retribution to one degree or another in the form of "themselves undergoing reform, their wife marrying someone else, their children changing their name," and even their "parents disowning them."

Because of drug taking, offender Zhang sold every one of the electrical appliances purchased when he married, and finally he sold everything including the household furniture to get money for drugs. In a rage, his wife returned to her parent's home, taking a year-old son with her. Thoroughly disgusted, his parents refused to let him in the door, and his unit cancelled his job as a purchasing agent.

A letter from the mother-in-law of offender Ma said that because Ma took drugs and hooked his wife, his wife's younger brother and his wife's younger sister on drugs, the entire family was in a labor reform brigade, a labor education institution, or an opium addiction treatment center. Several thousand yuan worth of rugs in the home had been burned beyond repair from opium smoking, so she intended to break all relations with him.

Second is physical decline and weakening of the will of drug users.

Probably the reason drug users are called "drug devils" is that their faces are sallow; they are scrawny, listless, and like zombies. Statements from many drug users show that when they are taking drugs they eat only 2 to 4 liang of food each day, so why wouldn't their physical condition worsen with each passing day! Once they decline physically, their will to resist drug addiction weakens steadily. Offender Tang died in the hospital from infectious bacillary dysentery less than 3 months after he went to prison. The doctor reported that his poor physical resistance to illness as a result of drug taking was the prime reason treatment failed.

When drugs drive a drug user to gradual extinction, the victim is not entirely unaware, nor does he or she want to pull themselves back from the precipice. However, while this malicious devil ravages their bodies, it also destroys their will. As the damage from the drug gets worse and worse, they try to quit the drug time after time only to fail time after time, and each time their will gets weaker. Their confidence in being able to live again also becomes increasingly less. Gradually they throw their ideals, their self respect, their conscience, and their morality entirely to the winds. They drift along, and languish in a steadily worsening condition in the "world of the devils."

This was what happened to the thief Wang. As a result of drug taking, he squandered all his savings; then he borrowed money all around from his close friends till he was more than 10,000 yuan in debt. He "felt that I had lost my dignity, lost my moral character, and was looked down on by people wherever I went." Thus, he tried to quit taking drugs six different times within three years. Once when trying to get off drugs, he became confused from an overdose of medicine. His bed clothes caught fire, burning a friend's 6 square meter house and all its contents to the ground. He also sustained severe third degree burns and was put in the hospital. Nonetheless, once his finances took a favorable turn, and his relations with his family and friends improved, he resumed drug taking. After trying to quit six times, he no longer had even so much as the will to protect his "self respect and moral character." Finally he turned to a life of crime.

The third bitter pill that drugs give drug takers to swallow is letting their youth slip away and suffering behind bars.

The years between 20 and 30 are a person's golden age, but drugs turned the golden age of the 39 into rust-stained, reeking, mildew-ridden years! It took away their ideals, destroyed their will, ruined their health, dragged them from the human world into the realm of devils, and changed them from honeybees to rats.

Worse yet, driven by drug addiction, they not only could not devote their youth to creating wealth for mankind; instead, they did evil to society and hurt the people. The 39 carried out more than 60 thefts, robberies, and swindles, causing approximately 200,000 yuan in losses to public and private property. For this, they got the punishment they deserved: a maximum of 13 and a

minimum of two and a half years imprisonment. The 39 received a total of more than 200 years of prison time!

As for society, the rampant spread of drugs causes a decline in national vigor, upheaval in public order, and a rise in the crime rate.

## 7. Historical Responsibility

When chest after chest of opium was transported to China by the imperialists 150 years ago, duty bound and unhesitatingly, national hero Lin Zexu launched a vigorous and speed campaign to prohibit opium. Now, 150 years later, the specter of drugs hovers over the soil of China once again, daily gobbling up the healthy organism of the People's Republic. In order to have a clean conscience before the ancients and to help countless generations of posterity, we must shoulder the historic burden of completely wiping out drugs, this evil monster! The writer believes that we should take the following actions:

1. Strictly enforce "Decisions on Drug Prohibition," strictly punishing smuggling, peddling, or growing drugs as well as seducing or instructing others in drug taking. No leniency should be shown particularly to those who seduce or instruct others in drug use. Article 7 of "Decisions on Drug Prohibition" provides as follows: "Seducing, instructing, or deceiving others to ingest or inject drugs is to be punished by up to seven years imprisonment, forced labor, or surveillance, and a fine." Nevertheless, during the past year, the province's Number 4 Labor Reform Detachment has not taken into custody a single drug user who has seduced, instructed or deceived others in the use of drugs. Furthermore, reportedly many such people are drug dealers as well.

2. Intensification of ideological and political work to improve the nation's ideological and cultural level so that people will consciously stand up to the corrosion of drugs, and so that all young people will establish lofty ideals and shape a correct view of human life. Plenty of healthy recreational activities should be provided to fill up people's spare time. The dangers of drugs should be vigorously publicized to make all who do not take drugs exercise a high degree of vigilance, and so that drug takers will completely realize the error of their ways and repent.

3. All positive elements should be aroused to do a good job in cleaning up society completely. Society, the family, and individuals should be used as channels for restricting the spread of drugs, and to eradicate, insofar as possible, the evil that has already been created.

It is to be hoped that we will soon be able to root out this spreading cancer of drugs!

## Rehabilitation Work

92CM0257B Xian SHAANXI RIBAO in Chinese  
28 Mar 92 p 5

[Article by Tian Changshan (3944 7022 1472) and Yu Yan (3768 3508): "Drug Treatment Findings"]

### [Text] Dongguan Has a Drug Treatment Center

An iron gate separates the drug treatment center from the outside world. This is the Public Security Bureau Drug Treatment Center in Xian's Beilin District. The separate world has coercive regulations that do not permit going outside alone, do not permit excessive drinking, require regular inspections and acceptance of medical treatment, etc. Freedom is limited, and opportunities for drug taking or satisfying an addiction are limited. Those being forcibly treated for drug taking are only people who have made mistakes; they are not criminals. Nevertheless, there is a sternly coercive atmosphere that constantly forces them to feel remorseful and awakens their finer instincts.

The people in this center are all drug takers and drug peddlers from the Beilin District. When we conducted a survey, there were fewer than 100 of them, an overwhelming majority of whom were young people between the ages of 16 and 35. Some were individual entrepreneurs, workers, state cadres, actors or actresses, and even college students! The drug miasma simply has a tendency toward unbridled spread. In the beginning, the financial circumstances of most drug takers was very good. They were quite wealthy from doing business, or they made a fair amount of money from a second job, or they came from a quite well-off family. However, as soon as they became drug takers, most of them squandered all their savings, ruined their business, destroyed their homes, and finally were overwhelmed with debt. Some of them became utterly destitute, having sold everything they had to sell and leaving only a sleeping mat and a lock on their door. The drug takers had brothers, wives, and fathers, but they ruined and split wonderful families through drug taking, scattering them far and wide.

Drug takers bodies sustain damage in proportion to the length of time they have been addicted. Some of the heavy addicts have already been seriously impaired. They have a bronze complexion; they lose weight; they have no appetite; and they have no sex urge. As their addiction worsens, their "bones feel as though countless caterpillars are crawling around inside." The itching could not be worse. The drug they take has also taken away their moral character and self-respect; it has drained away their sense of shame. Many turn to theft and prostitution. "Drug taking leads to other criminal activity."

Every Public Security Branch Bureau in Xian runs a drug treatment center in which the number of people receiving treatment varies. The province also operates "drug rehabilitation centers." Society uses tough love to coerce those very numerous but extremely endangered

people who have lost their footing! It is hoped that they will thoroughly reform themselves and follow a correct path.

### **The Pitiful Feelings of Parents Nationwide**

Children are the apple of their parents' eye. No parent who has a sense of responsibility or duty is not sick at heart and mind when a child takes drugs, nor can they help feel a sense of shame at children taking drugs. Virtually all parents try to find treatment for children who take drugs. Some of them come forward with money to send them to a drug treatment center or have them go to a close relative in a far away city to get treatment. Some even do everything possible to have a daughter adopted to a distant place so she will be separated from a seductive environment. When the person takes drugs, the whole family is upset. The parents spare no energy or money to help make their sons and daughter lead a normal life as soon as possible. Even when they are weary and worn, they will not cease to help.

Accompanying this instinctive love is profound sadness. The parents of one drug-taking young woman who had gone to a kindergarten teaching school were middle-aged intellectuals and accomplished professional cadres. In analyzing the reasons why their daughter took drugs, they felt that they had spoiled her as a child, not even allowing her to wash her own clothes. This encouraged her in being willful, vain, and indolent. These qualities, together with a social environment that encouraged her in them, resulted in her going farther and farther afield. Her parent's family was simply powerless to do anything to stop it. In addition, since the husband and wife had divorced and the family split up, she was a young person who had lacked good family education since childhood. The mother and father discussed the child's debasement, thinking at the same time about their own misfortune and their more unspeakable sadness!

However, once drug taking becomes a social problem, the parents' responsibility and the family's abilities are just one factor, albeit an extraordinarily important one. When the parents and the family were powerless to do anything, they turned to society. As heads of the household, they jointly addressed a letter to the newspaper in which they "beseeched the party and government to devote earnest attention to the prohibition of drugs, arouse the public to expose and report to the authorities drug peddlers and drug takers, and punish severely those drug dealers guilty of the most heinous crimes, locking up those who should be locked up, killing those who should be killed, and positively not showing any leniency!"

### **The Long-Ringing Alarm Bell....**

Nothing causes more sadness than injury to a young soul. Drug takers not only hurt themselves and society, but also seriously impair the mental and physical health of the next generation. Some drug takers give birth to children having various illnesses, and some women who

take drugs get their children addicted. As soon as the child leaves the drug taking environment, it cries and causes a fuss. A child who is just beginning to understand may completely mimic the expression and actions of its parents when they take drugs, and when their parents need a fix really bad but are unable to obtain drugs, they may get a pinch of dirt from the courtyard to give them. Children become a direct sacrifice of these drug takers.

Nothing reveals more profoundly the vicious intent of those who seduce people to take drugs than "I'll trap you to take revenge for what happened to me." Although it is true that steady drug users and opium addicts sometimes regard drug taking as being chic, they also realize that enticing others to take drugs, making them empty the contents of their homes and get on the same footing as they, is both a kind of psychological leveling and a way of taking revenge as well. "Old buddies" are sometimes several "losers" who have been sought out to go down in misery together!

When a drug taker is forced to stop drug taking, his sad plight may arouse a sense of pity in some people who say "If you had known it would come to this, you would have acted quite differently!" When the person attempting to stop drug taking lacks the willpower and enters a round of withdrawal, more drug taking, and withdrawal again from which he is unable to extricate himself, people may become angry at him for not trying. They may view him with contempt and scorn! "But a prodigal who returns is more precious than gold." Some reformed drug takers who have awakened quickly to their error may gain people's respect. Drug takers who are looked at askance by others make a difficult choice, and the process of making this choice is arduous and long. It is also soul-stirring. Heaven and hell seem only one step away from each other!

The legal system, which acts as a social conscience, does not abandon these miscreants who have violated the law. While regarding them lovingly, it also applies absolutely necessary coercion in the hope of returning healthy, lively, and vigorous young people to us. A sound social rationale toward these drug takers who have been revived from the dead is to make a many faceted and thoroughgoing exploration of the problem. One point at least is alarming, and that is that international drug cartels are targeting China as their "drug selling pipeline" or their "drug market" while China is in the midst of reform and opening to the outside world. This is a solid fact, and it is also generally recognized by those in the know. So increasing our people's awareness of the prohibition against drugs, intensifying the struggle against drugs, and safeguarding the healthy organism and the spirit of civilization of our nation, as well as increased vigilance "against peaceful evolution," are certainly not creations for the purpose of scaring people!

### QIUSHI on Ideological Training of Workers

HK2103071792 Beijing QIUSHI in Chinese  
No. 3, 1 Feb 92 pp 37-39

[Article by Li Yutang (2621 3768 1016), secretary of the party committee of the First Auto Manufacturing Plant: "Attach Great Importance to Ideological Training of Industrial Workers Contingent and Cultivation of Class Consciousness"]

[Text] The working class is the representative of advanced productive forces closely associated with socialized large-scale production, and the unanimity of its fundamental interests with the process of social development makes it "the class which commands the future." The industrial workers contingent is the main force of the whole working class and the most important class base for the party and plays a vital role in the cause of socialism. Therefore, paying attention to and consolidating the ideological training of the industrial workers contingent and steadily enhancing its class consciousness have special significance for improving the quality of the working class, consolidating the party's class base, and realizing the four modernizations and the revitalization of China.

At present, the new worldwide struggle between the two major classes—the proletariat and the bourgeoisie—is facing us grimly. The field of ideology is the front line of the "war without gunpowder smoke," and Western hostile forces are attempting to make a breakthrough here first and proceed to overthrow the socialist system and realize a so-called "victory without a battle." Consolidating the ideological training of the industrial workers contingent and its class consciousness and making it acquire a proletarian world outlook and conscientiously struggle for the realization of its own historic task are an important key link in upholding the leadership of the party and the socialist road and defeating the attempts at peaceful evolution by Western hostile forces. Experience at home and abroad proves that in the face of serious struggle, the maintenance of the stability of the industrial workers contingent is the firm base for safeguarding the political stability of the state and the society.

According to basic Marxist theory, economics is the base and politics the concentrated expression of economics. The political struggles of all classes are, in the final analysis, conducted around economic interests. The ideology that occupies the ruling position in society is merely the material relations that occupy the ruling position, that is, the expression of productive relations in ideology, and is material relations in the expression of ideology; but at the same time it reacts with material relations. Therefore, in socialist countries, the strengthening of the ideological training of the industrial workers contingent and the fostering of its class consciousness to uphold and consolidate the ruling position of the working class is, in fact, the safeguarding of socialist productive relations and the intimate interests of the working class.

Our country's industrial workers contingent is the major part of the entire working class and the force which the party can trust and depend on entirely, and has always played an extremely important role in our country's socialist revolution and construction. But some new situations have emerged in recent years which have attracted people's attention and consideration, and some urgent problems also exist in the industrial workers contingent which need to be solved quickly.

First is the lowering of class consciousness. As elderly workers who began work before and in the early years following the founding of the state are gradually withdrawing from the ranks of production, young workers born in the 1960's and 1970's constitute over 60 percent of the total number of employees. These new elements in the staff and workers contingent are, on the one hand, educated, lively, active in ideology and bold, and on the other, as they are more and more removed from the old society, they lack a personal understanding of the contrast between the two societies, and have virtually no experience of the confrontation and struggle between the two major classes. Due to some serious mistakes in education in the last 10 years, they have not studied Marxism well, do not have much understanding of the conditions of the country, and lack a fundamental understanding of socialism and capitalism. A few years ago, the proliferation of bourgeois liberalism also had some impact on the industrial workers contingent. Therefore, quite a number of staff and workers have lowered their class consciousness and cannot analyze and deal with questions from the perspective of the fundamental interests of the working class. Some people have even deviated in face of some crucial political issues and lacked confidence in the sure victory of socialism and had various doubts concerning the temporary phenomena occurring in the international communist movement.

Second is that the sense of mission is not strong. Even though they have entered factories and put on working uniforms and become, in form, members of the working class, some young people lack a deep understanding of the historical position and mission of the working class and foster no sense that only by liberating the whole of mankind can they finally liberate themselves, and their sense of revitalizing the country and the nation has become thin. Affected by the decade of chaos, bourgeois liberalism and the negative aspects of commodity economy, their understanding of the sense of life, values and morality has become blunted, the ideology of "trying all means to make money" has flourished, and the sense of being the masters has become thin; they do not see themselves as the main force in socialist construction and as members of the ruling class of the country, and lack the spirit of class self-improvement.

Third is the abandoning of some good traditions. The long process of the fostering by the older generation of industrial workers in large-scale socialized production of excellent ideological qualities such as selflessness, loving one's factory and one's post, hard work and thrift, taking the interests of the whole into account, reform and

innovation, self-reliance, plain living, and a strong sense of organization and discipline have gradually become less emphasized among some staff and workers. Some people stress immediate interests and neglect long-term ones, stress the individual and neglect the collective, stress material desires and neglect ideology, stress material benefits and neglect morality, and even anticipate and worship the Western lifestyle. The tendencies of egoism, anarchism and liberalism have resurfaced in some places.

Although the above-mentioned expressions are not the mainstream of the whole of the industrial workers contingent, we should pay close attention to them. The objective factors in these problems include the impact of the proliferation of the bourgeois liberal trend of thought. And subjectively it is because we have failed to formulate counterstrategies with a clear aim and in a timely and effective manner enhance the ideological training of the industrial workers contingent in light of changes in the objective situation and new situations emerging in the industrial workers contingent.

Aside from realizing their own basic function—the economic function—socialist enterprises also shoulder specialized political and social functions, not only manufacturing products but also fostering one generation after another of new model industrial workers who possess a sense of being conscientious proletarians. Since the Fourth Plenary Session of the 13th CPC Central Committee, the party Central Committee has repeatedly stressed wholehearted reliance on the working class, and this requires socialist enterprises to play an important role in strengthening the ideological training of industrial workers, objectively integrating the development of social productive forces with the consolidation and development of socialist production relations within the enterprises.

**1. Uphold the party's political leadership and bring into play the role of enterprise party organizations as the political core.**

Enterprise party organizations, rooted in enterprises, are the political advantage of socialist enterprises with Chinese characteristics as well as an important characteristic of the difference between capitalist and socialist enterprises. Enterprise party organizations assume political leadership over enterprises, are the embodiment of the political demand that CPC be the party in power, have the important function of orientation guidance for enterprise staff and workers and the behavior of enterprises and are the strong guarantee for the implementation of the party's basic line, upholding the socialist direction of enterprises and fostering a staff and workers contingent with "four haves." To strengthen ideological training and fostering of class consciousness of the industrial workers contingent, we must first strengthen the training of enterprise party organizations themselves and do a fine job in training this base. At present, special attention must be paid to using Marxist theory as guidance to

consolidate party ideological training, strengthen communist belief among the party members contingent—the backbone of the industrial workers contingent—and raise party members' ideological quality; persist in training party branches in workshops, perfect grass-roots party organizations, focus on excellent workers in the front line of production for recruitment into the party, improve the organizational structure of enterprise party members contingents, educate party members to link the long-term goals and lofty ideals of communism with the realistic tasks in the initial stage of socialism and their own professional work, unite, guide and lead the masses of staff and workers to uphold the party's four cardinal principles, actively devote themselves to the great cause of reform and construction, work selflessly and give bravely, and play the vanguard and model role of Communist Party members; and earnestly implement the party line, principles and policies, administer the party more strictly, strengthen the building of clean and efficient government, build a closer relationship between the party and the masses, raise party organizations' unity, cohesiveness and combat power and give full play to the role of enterprise party organizations as the political core in the process of ideological training of the industrial workers contingent.

**2. Uphold the principle of proletarian party spirit, strengthen and improve ideological and political work.**

To strengthen the ideological training and fostering of class consciousness of the industrial workers contingent, we must strengthen and improve the party's ideological and political work in enterprises, and this is also an important guarantee for handling well large and medium-sized enterprises. To strengthen ideological and political work, we must first uphold the principle of proletarian party spirit, imbue industrial workers with basic Marxist theory, enable them to strengthen the sense of self-accomplishment in the practice of reform and construction and acquire a proletarian world outlook and firm socialist belief, and maintain the dominant position of proletarian ideology in the industrial workers contingent; actively carry out education on the party's basic line and the actual conditions of the country, foster and enhance the ideological consciousness of industrial workers in loving the party, the country and socialism, guide industrial workers to firmly follow the party in taking the socialist road, encourage them to learn the excellent qualities of the working class and splendid culture of the Chinese nation as well as the enlightened and advanced knowledge of the science of mankind, and educate industrial workers to continue carrying forward the excellent traditions of our country's working class and foster and strengthen their sense of being masters of the country and their sense of the mission of the working class; propagandize classic models of industrial workers, commend their praiseworthy spirit of hard work in pioneering undertakings and giving selflessly, and promote the ideological training of the whole industrial workers contingent; and establish the sense of "large-scale education," make education lively and fun and

make ideological and political work dominate the enterprise culture, spirit and microenvironment and play a bigger role through various lively cultural and sports activities loved by the masses and imperceptibly influence and nurture them through what they see and hear.

**3. Persist in leading the industrial workers contingent to actively devote itself to the great practice of socialist construction and inherit and develop the excellent qualities of the working class in socialized large-scale production.**

The working class is the representative of the advanced productive forces and many of its excellent qualities are closely linked with large-scale production. As it possessed nothing in the old society, its ideals and thoroughness of revolution have derived from its inevitable rebellion against the exploiting classes and the exploiting system, and it holds firmly to the belief that only by liberating the whole of mankind can it finally liberate itself. As industrial workers occupy the position of masters under the socialist system, their great enthusiasm for reform and construction derives from their love and pursuit of socialism. Only by leading the working class to give play to the advantages of the socialist system and build up the country's economy can the party foster an excellent working class contingent. Party and administrative leaders in enterprises should arouse and support to a great extent their activism and creativity in spreading socialism; encourage and organize industrial workers to acquire culture and science and technology, develop their mental potential, raise their labor skills, and make them become the real representatives of advanced productive forces who have a command of modern science and civilization and the most far-reaching insight, actively devote themselves to reform, work and create selflessly and become the main force in socialist construction; and respect the democratic rights of industrial workers as the masters of the country, strengthen the training of representative committees of enterprise staff and workers, persist in two participations, one transformation, and three-in-one combination, guide them to actively participate in the democratic administration and supervision of enterprises and care about major state affairs and raise their ability to discuss and participate in decisionmaking. Enterprises should organize production based on the needs of socialized large-scale production, strengthen the buildup of modern management, strictly divide work and define areas of cooperation, and test and foster the organizational and discipline quality of workers in modernized large-scale production to make them really become the representatives of advanced productive forces, and pay attention to improving the material and cultural living conditions of the industrial workers contingent alongside the development of production to make them really appreciate the deep meaning of "our workers are powerful," "work creates the world" and

"socialism is better than capitalism," thus enhancing the sense of public ownership and collectivism and affirming taking the road of socialism.

**4. The strengthening of ideological training and fostering of class consciousness of the industrial workers contingent is a long-term systematic project, and we must uphold the policy of "grasping reliance with one hand and fostering with the other."**

Strengthening the fostering of industrial workers requires not only the strengthening of enterprises themselves but also the common efforts of the whole society, particularly the ensuring of the macro-guarantee of reliance on the working class. For instance, uphold the nature of the party as the vanguard of the proletarian class and pay attention to recruiting party members, and promote cadres from among excellent industrial workers and raise their social positions; fully reflect the working class being the ruling class of the country and promulgate policies and laws which ensure industrial workers and the whole working class play the role of masters in the state and in the life of the whole society; the guiding policy of state economic work and enterprise work should pay attention to wholeheartedly relying on the working class, and socialist artistic creation and cultural propaganda and the media should warmly sing the praises of the pioneering spirit of industrial workers and make efforts to build a splendid image of the Chinese working class; reform the distribution system to make the value of industrial workers' labor fairly recognized by society; perfect labor protection laws, support trade unions in speaking for workers, and safeguard the legitimate rights of staff and workers; and strengthen the building of party style and clean government, do specific and realistic things for industrial workers and serve them well. Thus can we really reflect the leading position of the working class and our party's fundamental policy of wholeheartedly relying on the working class, build up a good overall environment and promote the ideological training and fostering of class consciousness of the industrial workers contingent.

The strengthening of the ideological training and of the fostering and enhancement of class consciousness of the industrial workers contingent is the requirement of the development of the times as well as the objective requirement of our party's nature and task. Marxism is the ideological weapon of the working class, the working class is the material weapon of Marxism, but the combination of Marxism with the workers movement can never realize itself. Paying attention to the ideological training of the industrial workers contingent is to combine the two well and return to the working class the weapon that belongs to it, and to make it better shoulder the responsibility given to it by history and become the firm class base the party can trust and depend on entirely.



## CENTRAL-SOUTH

### QIUSHI on Hunan's Rural Ideological Education

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No 3, 1 Feb 92 pp 11-14

[Article by Xiong Qingquan (3574 3237 3123), Hunan Provincial CPC Committee Secretary: "Carry Out Socialist Ideological Education in Rural Areas More Intensively—Survey of Rural Socialist Ideological Education in Changsha and Pingjiang Counties"]

[Text] In March 1991, Comrade Jiang Zemin, in his inspection tour of Hunan, specially called a group discussion meeting on strengthening the building of basic level apparatuses and rural socialist ideological education. In the discussions, he fully affirmed and encouraged the work of our province in rural socialist education and expressed the hope that we would continue to achieve successes in our pursuits, that we would sum up the experiences, make up for any insufficiency, and endeavor to do a solid and good job in socialist ideological education in the province. For the sake of thoroughly carrying out the spirit of Comrade Jiang Zemin's directions, summing up experiences, enlarging the results and further deepening rural socialist education in the whole province, we have for a period of time investigated and studied the socialist educational work carried out in Changsha and Pingjiang counties. Through the investigation, we have felt that to intensify socialist education, at present we should work along the following five lines:

#### I. Intensifying Ideological Education, Striving Hard To Help the Masses of Party Members and Cadres in the Rural Areas To Intensify Their Confidence in Socialism and in the Party's Leadership

We are now building socialism with Chinese characteristics. Our socialist education should take the party's basic line as the guideline. We should intensify the development of education on patriotism, collectivism, and socialism and cast our eyes on improving the understanding of the cadre masses on socialism, fully arouse their positivism in building socialism with Chinese characteristics, and promote the all-around development of the rural economy and construction of spiritual civilization. This is a general guiding thought. With regard to educational content and the problems demanding solution, at different periods of time and facing different tasks, different emphases may be laid. In their educational work, Changsha and Pingjiang counties have added to the study contents and outstandingly stressed solution of the problems relative to understanding of the two sides. The added content consisted of the 12 principles on construction of socialism with Chinese characteristics in the "recommendation on formulation of the 10-year regulations governing national and economic development and the Eighth Five-Year Plan" adopted at the Seventh Plenary Session of the 13th CPC Central Committee. Of the problems of understanding prominently determined for solution, one was strengthening

and bolstering the people's faith and belief in socialism and deeply planting in their minds the historical conclusion that only socialism can save China and bring about China's salvation and development. Another problem was to strengthen people's faith in the party's leadership and make people understand that without the Communist Party there would be no New China and it would not be possible to build up a modernized and strong socialist China.

Ideological education employs different forms of teaching methods. We principally believe in the teaching method of mainly education at the front and self-education. In conversations on frontal education, not only members of the work team—as well as rural cadres and party members—talk, but also the peasant masses themselves likewise talk. Li Zhuzien of Hongguang village in Longli township of Changsha County was a scientific and technical model worker, a national labor model. In the past, he was the leading figure in cooperativization, served for over 30 years as a basic-level cadre, became well-to-do by means of raising hogs through the use of scientific methods and is now a leading personality in having become well-to-do through science and technology. He made use of his own intimate knowledge to talk freely on the strong points of the socialist system and the absolute necessity of the party's leadership. All of his talk was true, based on facts, and won the people's approval and admiration. In localities where socialist education is developing, in the first stage of ideological education, matters in general have all been well grasped. Basically the learning system, study rooms, and broadcasting loudspeakers have been restored to use and ideological and political work has been generally strengthened. What we need to take special note of now is that we cannot be satisfied with the situation that has already been in progress and shift the major strength of the working teams to "material projects." In conducting ideological education with the peasants, we must also help them to perform solid jobs and good jobs and to solve actual difficulties and concrete problems. This is unquestionable. However, we should never put all our energy on the solution of concrete problems and allow the handling of affairs and work to replace ideological education. The work of conquering the rural front by means of socialist ideology involves a prolonged task and must be done regularly and with patience. Just as Comrade Jiang Zemin pointed out in his inspection tour of Hunan: "Under socialist conditions, it is necessary to link together the concrete tasks of different periods and regularly infiltrate and instill socialist ideologies in the minds of the populace and provide education on them so as to firm up and strengthen their confidence in socialism." This sort of inculcation and education cannot be done once and for all. It requires that we firmly continue for a prolonged period. At the same time, we should also see that in a preceding stage, certain problems have cropped up in the rural areas. So far as the peasants were concerned, they were principally problems of ideological understanding, and to solve these problems we must proceed from education. Ideological education as the



central link in the fulfillment of rural socialist education tasks should never be slackened.

## **II. We Must Actively Develop a Socialized Services System; Fully Arouse the Peasants' Enthusiasm for Production**

The biggest problem in agricultural production and rural work is the problem of the peasants' enthusiasm. An important criterion of whether or not rural socialist education work has been done well is to gauge whether or not the socialist enthusiasm of the peasants has been displayed well. In a previous period, among the peasants there was a prevalent psychology of "fearing policy changes." Against such a situation, in our rural socialist education we outstandingly did a good job in education on the need for a stabilized current rural policy and cited the case of the prolonged and stable government system of contracted responsibility on a household basis with remuneration linked to output, which was known to each and every household. This speedily pacified the populace and aroused the peasants' activism. At present, the problem with which the peasants are most concerned and the solution of which they have urgently hoped for is the problem of socialized services including "circulation" services, scientific and technical services, capital fund services, and so forth. Hence, in socialist educational work, we should principally grasp the problem of socialized services and take it as an urgent task in further deepening rural reform.

In developing the rural socialized service system, Changsha has taken up a new road. This is enforcing the "three combination of agriculture, science, and education" and formation of a "one-dragon system of production, supply, and marketing." From introduction of good seeds, production, processing, to marketing (including export), the one-dragon service system is applied. In Chunhuashan village, there is a "milk cow composite service center." The center makes unified provision of milk cows, unified cultivation and training of technology, unified organization of feed materials, and unified marketing of products. The peasants do not have to worry about buying or selling and may peacefully concentrate on production. The peasants have felt extremely satisfied with this type of one-dragon services. They commented that it would be all the better "if the same kind of services could be extended to grain, animals, pigs, and domestic fowl." In fact, if we strive hard in our work, these wishes of the peasant masses can be realized. Naturally, without definite collective economic strength, it would be rather difficult. Perfecting the double-layer operational system of integration of unification and division and developing and strengthening collective economy comprise precisely the large tasks of rural socialist education. Generally, in localities which have developed or are developing the collective economy and which in the past did not have a semblance of collective economy, they are making a start in this connection, and in cases of unfavorable showing of effects in past collective enterprises, they have endeavored to basically change their countenance.

On the side of socialized services, there is also the problem of capital fund services. Since enforcement of the system of contracted responsibilities on the household basis with payment linked to output, an increasing number of peasants have gotten rid of poverty and enjoyed a comfortable living, even accumulating certain savings. Nevertheless, in the rural areas currently there is still a small number of impoverished households. They are short of capital funds and have difficulties in production. While the rural credit cooperatives have done much work in helping the impoverished households in their livelihood, the problem is still not completely solved. In this regard, Changsha County has universally set up in the rural areas poor-relief sinking fund societies to cope with the shortage of capital funds on the part of the peasant households and support the poor peasant households in developing production. In Jinjing township of this county, there are 12 villages, each and every one of which has a support-poor sinking fund society. Of the source of the sinking funds, a portion has come from share subscription from the peasant households, while a portion comes from support by the village enterprises. At present, the sinking funds in the township have amounted to 250,000 yuan. In the event of the impoverished households meeting with certain financial difficulties, they may seek help from the sinking fund societies.

## **III. Strengthen Construction of Grass-Roots Units; Grasp Well Construction of the Grass-Roots Units' Leadership Teams**

Changsha and Pingjiang counties have a common experience in their socialist educational work. They have proceeded from grasping the leadership teams and devoted efforts to building a village party branch organ that possesses strong fighting power, adhesive force and calling power to the populace. They depended on the nucleus leadership role of the party branch and the party members' vanguard and model role to ensure completion of the rural socialist educational tasks. Changsha County summed up their method as the following: "Concentrating strength on grasping the teams, relying on the teams to grasp education and, through education, to promote construction." Pingjiang's comprehension was: "Selecting a good team satisfactory to the masses, finding a road to eliminate poverty and achieve affluence of the masses, and formation of a good village of socialism." Our rural socialist education must definitely be carried out in conjunction with and depending upon the rural party organ, which we should never cast aside. At the same time, in socialist education, we must earnestly strengthen the construction of the basic-level party organs. The small number of party branch organs which have a relatively large number of problems must be subjected to stern rectification. We must leave behind a working team which "will forever remain." This is also one of the main tasks of rural socialist education.

To rely on basic-level party organs to develop education, it is necessary to have them organized and built well so that they can shoulder the heavy burden of guiding socialist educational work. Weak and lax party branches

that cannot organize and lead the masses to complete their socialist educational tasks must be first rectified. A close reliance on basic-level party branch organs to conduct socialist education cannot be passively and one-sidedly interpreted as meaning that even though the party branch organs have problems they should be left alone and that if the leadership teams need to be readjusted, it must be done at the subsequent stage of the socialist education. Naturally, extreme care must be exerted in readjusting the leadership team of party branch organs. We must extensively listen to the voices of the vast masses of party members and there must be a strict adherence to organizational order and legal procedure in doing this work. In strengthening the construction, it is most important to grasp well ideological education and improve the quality of the ideology of the team members, and enhance their consciousness in wholeheartedly serving the people. In its socialist educational work, Pingjiang County has developed the activities of organizing the extensive masses of party members and cadres to "learn from Yujih and develop Pingjiang in hard toil." This stirred up everybody's enthusiasm to be "rooted in the mountainous areas, develop the hilly regions, and lead the masses to eliminate poverty and gain affluence." Certain party branch secretaries who had expressed no more interest in their jobs withdrew their resignation letters one after another. Provincial CPC committee members stationed in the socialist educational teams of Changsha County, facing the problem of a small number of party branch organs having "a number of people not cooperative enough with each other and not being enthusiastic enough in working for the populace," had heart-to-heart talks with the constituent members of the branch organs and old party members, and helped them to develop learning and discussions on "wholeheartedly serving the people." This has enabled everybody to unify ideological understanding, strengthen their unity, and enhance their spirit of making contributions.

Whether or not a branch organ team is strong in fighting power is closely related to the caliber and capability of the branch organ secretary who is the team leader. Comrades of the Changsha County CPC Committee said: "A good team leader can generate a good team." In our grasping of basic-level construction of basic level organs, we should attach special importance to the cultivation, selection, and enhancement of the position of the branch organ secretary. A good branch organ secretary must possess "three have's": 1) Must have ideology and a strong sense of belonging to the enterprise; 2) must have the spirit of contribution, fearing not set-backs and doing work justly; and 3) must have ability and capability of leading the people to get rid of poverty and attain a comfortable living. In Changsha County there are a number of branch organ secretaries of this type. Take, for example, branch Organ Secretary Huang Zhaide of Huanglong village of Huanghua township. He is a cadre of this kind of "three have's." He has won the approbation of Comrade Song Ping.

#### **IV. Expanding the Educational Area and, Concurrently With Carrying Out Socialist Education in the Rural Areas, Conducting in a Planned and Systematic Manner Socialist Education in the Party and Government Organs and Enterprise Units**

For the sake of performing a good job in rural socialist education, it is also necessary to develop socialist education in the government organs and enterprise units. This is necessary and urgent on three counts. First, it fills the need of the all-around completion of rural socialist education. Rural socialist education generally requires the absorption and transfer of personnel from government organs to form work teams to help. If socialist education is not conducted in the government organs, then the personnel so drawn will not be able to perform their role. Rural socialist education and various kinds of tasks all require the support of county and rural government organs and departments, and cannot be completed if there is no support from them. Take the case of the socialized service system: If certain departments do not give active support, then it cannot be set up or perfected. Second, it fills the need of consolidating the fruits of expanding rural socialist education. Rural socialist education takes the village as the basic and major point. This is certainly correct, and from now on should still be firmly insisted upon. However, following the continual deepening of rural socialist education there is an increasing need for cooperation and coordination from governmental organs and enterprise units. Only through urban and rural cooperation and development of socialist education at the same time can there be an effective solution of the problem; otherwise, it will be difficult for rural socialist education to expand and deepen and for the results to be consolidated and expanded. Third, it fills the need for doing a good job in the upbuilding of government organs and enterprise units. Some years ago, due to the general relaxation of the ideological political work, many government organs and enterprises have greatly weakened their concept of serving the peasants. There have been frequent occurrences of unfair treatment of the peasants. As the peasants of a certain locality in Changsha County described it: "All the government offices, outposts and stations were intent on making levies and are all out for money's sake." Although such attack could have been somewhat extreme, yet it did reflect the wishes of having the government organs and units carry out socialist education just the same. The majority of the comrades in government organs and enterprise units were also not happy with the phenomena that had occurred. They have also hoped that the problems could be solved by means of socialist education.

The provincial CPC committee is currently organizing forces to study how to conduct socialist education in the government organs and enterprise units. Piloting and probing work is currently being carried out in various localities. Pingjiang County pointed out: Rural socialist education takes development of agriculture and prosperity of the rural economy as the starting point and the

putting up point, while socialist education in government organs should take as starting point and putting up point enhancement of service to the grass-roots units and achieving intimate relationships between the party and the peasant masses. They further advocated that socialist education in government organs should have three main tasks: 1) firming the faith of the cadres of government organs in socialism; 2) augmenting the concept of being public servants and the service concept and making a big change in the conduct and behavior of government organs; and 3) strengthening the upbuilding of honesty and diligence in governmental work. In grasping socialist education in enterprises, Changsha County stressed the following four problems: 1) firm insistence on taking the socialist direction of running a plant; 2) handling well the relationship between the three parties, strengthening the staff's concept in collectivism and making them love the plant as their home; 3) recovering all outstanding public funds and liquidating the financial affairs of enterprises questionable in the eyes of the masses; and 4) increasing production, speeding up technical transformation, improving management, and enhancing economic effects.

#### **V. Seriously Grasping Well the Ideological Atmosphere of Teams Engaged in Socialist Educational Work**

In order to further deepen rural socialist ideological education, socialist educational teams at various levels must shoulder important tasks.

When dispatching teaching teams to the countryside last year, the provincial CPC committee clearly demanded that the teams should make "three productions," namely, production of results, production of experiences, and production of personnel. They not only should fully complete the socialist teaching tasks, but also must enable each and every team member to attain steeling and enhancement in the course of socialist education. The key, with regard to whether or not it is possible to accomplish the "three productions," lies in grasping well self-construction in the teaching team. The teaching team is dispatched by the provincial, district, zhou, city and county CPC committees; the showing of the team members has a bearing on the image of the party and the government. Hence, the demand on them must be strict, discipline must be stern, and their conduct must be exemplary to the basic-level cadres and peasant masses. To be a teacher one must be a student first, and it is necessary to politely learn from the basic-level cadres and peasant masses. One must be able to accomplish first what is asked of the rural cadres. Preparatory to teaching the peasants, one must have full understanding of the fundamental theories on building of socialism with Chinese characteristics. The work team must have a system in such aspects as learning, work, living, and turning out ideological reports. It must frequently carry out inspections. Prior to leaving a team the members must seriously summarize their observations and conclusions which should be entered into the files of the cadres for future reference. Party committees at various levels and units dispatching teaching teams

should strengthen their education and control of the team members. They should frequently acquire a knowledge of the conditions of their ideology and work. When problems appear, they should be promptly settled. They must truly build the teaching team into a school for the training and cultivation of talented personnel and steeling of cadres and enable the team members, particularly the young cadres, to grow in the course of actual practice.

As a result of the teaching team strengthening construction in ideology and conduct and thereby able to complete its tasks in socialist education, it has received the welcome of the rural cadres and populace. Cadres in Lishan district and Lishan township said: the socialist teaching teams dispatched from the province, city and county have rendered them great support; they not only have helped them to grasp ideological education but also assisted them in grasping rural reform, scientific and technical expansion, basic-level organization and construction, and birth control work. They "have shared their worries, rendered them support and encouraged them." By means of socialist education, cadres of government organs and cadres of grass-roots units have augmented their understanding of each other and the friendship between them has been enhanced. The several townships and villages in Changsha County in which work teams from the provincial committee were stationed reflected that cadres dispatched from the province had all worked in a down-to-earth manner. Their every word and deed gave to the basic-level cadres and peasant masses a vivid lesson on socialist education. Peasants of Fengxingshan village of Jinjing township of Changsha County said: After only several months of the socialist education, rather great changes have occurred in the village; broadcasting is in the air, the number of learning sessions has increased, the people are one in heart, the atmosphere has improved, party members have taken up the lead, cadres have begun to attend to work, village-run enterprises have developed, the hope for common affluence has increased, and there is all the more clamor for socialism.

### **NORTH REGION**

#### **Tianjin Communique on Economic Development**

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13 Apr 92 p 6*

[Statistical Communique on 1991 economic and social development of Tianjin Municipality issued by the municipal Statistical Bureau on 10 March]

[Text] Nineteen ninety-one was the first year of the 10-Year Program and the Eighth Five-Year Plan. During that year, the municipality as a whole, under the leadership of the municipal party committee and government, firmly grasped the central task of economic construction, correctly handled the relations between stability and reform, constantly increased the dynamics of reform, and energetically launched the campaign of "increasing

production and practicing economy and increasing revenues and reducing expenditures." Through the arduous efforts of all of the people in the municipality, the most difficult stage of economic development was overcome, the major tasks for economic rectification were basically accomplished, and a comprehensive upward trend emerged in the entire economic operation. According to preliminary statistics, in 1991 the GNP of the municipality was 33.55 billion yuan, up 4 percent over 1990; of this, the value of the tertiary industry went up 5.6 percent, with its proportion in the GNP rising from 33.5 percent in 1990 to 34.3 percent. Science and technology, education, culture, public health, and various social undertakings made new headway, and living standards of urban and rural residents continued to improve. The municipality failed, however, to make any clear improvement in solving the problems of unreasonable structure, low economic efficiency, financial difficulty, discordant structure, and impeded economic circulation, which had hampered the municipality's economic development for quite some time. In 1992, the tasks of readjusting structure, improving efficiency, deepening reform, and accelerating economic construction remain very difficult.

#### 1. Industry

In 1991 the municipality's industrial situation continued to improve. The municipality's total industrial output

value was 76.692 billion yuan, up 8.4 percent over 1990, of which the output value of industry at or above the township level was 60.641 billion yuan, up 5.2 percent.

Major industries began an upturn following two years of decline, and a comprehensive upward trend was effected in the industry of all economic sectors. Of the output value of the industry at or above the township level, output value of large- and medium-sized industrial enterprises was 39.642 billion yuan, up 4.7 percent; that of the state-owned industrial enterprises was 44 billion yuan, up 2.3 percent; that of the collectively owned industrial enterprises was 11.852 billion yuan, up 9.9 percent (of which, output value of township-run industrial enterprises went up by 21.2 percent), and that of the industrial enterprises of other economic sectors was 4.789 billion yuan, up 25.3 percent (of which, output value of joint ventures involving foreign investment went up by 35.4 percent). In 1991 the heavy industrial output value was 31.55 billion yuan, up 10.0 percent. Production of the mechanical and electronics products for investment purpose increased rapidly, and production of major raw materials and energy resources was basically stable. The light industrial output value was 29.09 billion yuan, up 0.5 percent. An upward trend was maintained in production of readily marketable light and textile products. Production of the products in excessive supply declined.

The output of major industrial products was as follows:

	Unit	1991	Percentage increase over 1990
Natural gas	100 million cubic meters	3.61	-1.6
Crude oil	10,000 tons	474.90	1.2
Electricity	100 million kwh	90.07	-5.0
Pig iron	10,000 tons	152.13	9.0
Steel	10,000 tons	175.43	5.2
Rolled steel	10,000 tons	204.68	14.3
Cement	10,000 tons	137.24	12.4
Plate glass	10,000 weight cases	192.08	10.6
Soda ash	10,000 tons	59.68	1.7
Caustic ash	10,000 tons	27.25	8.0
Salt	10,000 tons	186.42	8.2
Machine-made paper and paperboard	10,000 tons	26.62	-0.5
Chemical fertilizer	10,000 tons	7.85	8.9
Chemical insecticides	10,000 tons	2.12	7.6
Plastics	10,000 tons	13.08	12.1
Dyestuff	10,000 tons	1.94	-7.6
Chemical reagents	10,000 tons	0.27	50.0
Chemical fiber	10,000 tons	7.81	4.6
Synthetic detergent	10,000 tons	9.34	9.4
Metal-cutting machine tools	1	875	-6.9
of which:			
Numerical-control machine tools	1	207	59.2

	Unit	1991	Percentage increase over 1990
Computers	1	125	50.6
Motor Vehicles	11,000	4.45	65.6
Tractors (large, medium-sized, and small)	1	12,997	72.9
Internal-combustion engines	10,000 kw	127.06	28.3
Yarn (mixed figure)	10,000 tons	11.23	-3.9
Knitting wool	10,000 tons	0.58	45
Cloth (mixed figure)	100 million meters	4.68	-4.9
Woolen goods	10,000 meters	1,253	-5.2
Garment	100 million pieces	1.49	-6.9
Cigarettes	10,000 boxes	20	-28.6
Watches	10,000	518.91	-1.1
Duplicators	1	3,955	4.91
Sewing machines	10,000	18.61	5.4
Household washing machines	10,000	38.09	14
Household refrigerators	10,000	4.53	-62.7
Television sets	10,000	140.27	-2.5
of which, color sets	10,000	72.63	16.3
Recorders	10,000	9.22	-52
Motorcycles	10,000	1.28	64.1
Bicycles	10,000	474.23	-11.6

The yearly "campaign" of upgrading quality and increasing the variety of products and economic results achieved initial effects. The qualified rate of export commodities, which was presented by the commodity inspection department, reached 99.75 percent. The output value rate of fine-quality products turned out by the municipality-run industrial enterprises reached 43.68 percent, a 6.68 percentage point increase over the annual plan. The municipality's 25 industrial products won the national level high-quality medals, of which three are gold and 22 are silver. Its 698 products won the municipal high-quality medals. The development of new products achieved new progress. In 1991 the municipal industrial front trial-manufactured 1,806 new products, showing an increase over 1990. Of these new products, 1,323 were put into production, also an increase over 1990. The output value from these new products for the year reached 3.386 billion yuan, a 23.9 percent increase over 1990; and profits from them reached 323 million yuan, an 8.4 percent increase over 1990. The proportion of output value from new products in the total industrial output value of the municipality increased from 7.2 percent in 1990 to 8.6 percent in 1991. The drive to promote commodity sales by curtailing the overstock achieved initial effects, and the contradiction between production and sales was somewhat alleviated. Incomes from commodity sales by the state-run enterprises covered by the local budget showed a 14.4 percent increase over 1990. The overstock of finished goods at the end of 1991 showed a 731 million yuan decrease over that at the end of June that year and was equal to that at the beginning of 1991. The three-consecutive-years decline

in profits and taxes was improved, and a 2.3 percent increase in profits and taxes over 1990 was made. The increase in profits reached 1.4 percent. Enterprises achieved initial effects in switching their losses to profits, and the volume of losses caused by enterprises showed a 10.4 percent decrease over 1990. The municipality took a new step in deepening the reform among large- and medium-sized enterprises and the management of 109 industrial enterprises that had taken up the pilot work of reform achieved a turn for the better. Their output value showed a 10.05 percent increase over 1990, their incomes from sales showed a 20.42 percent increase over 1990, and their net profits showed an 18 percent increase over 1990. The per capita productivity of the state-run industrial enterprises that conduct independent accounting was 44,635 yuan, a 2.7 percent increase over 1990. However, judging from the situation as a whole, the decline of industrial enterprises' economic results remained unchanged. The cost of the state-run industrial enterprises covered by the local budget, which is calculated in terms of comparable products, showed a 4.1 percent increase over 1990. Their profits and taxes scored from every 100-yuan fund reached 13.43 yuan, a 1.3 yuan decrease over 1990; and that scored from the income of every 100-yuan sale reached 9.06 yuan, a 1.1 yuan decrease over 1990.

## 2. Agriculture

In 1991 the municipality further enhanced the fundamental position of agriculture, actively implemented various agricultural policies, readjusted the structure of

planting work, vigorously launched the campaign of having science and technology make agriculture prosperous, and promoted the overall development of agriculture. The total agricultural output value reached 5.566 billion yuan, a 6.9 percent increase over 1990. Of this increase, that of planting work was 6.5 percent; that of forestry, 16.3 percent; that of animal husbandry, 10.1 percent; that of sideline production, 10.7 percent; and that of fisheries, 0.2 percent.

The municipality reaped a bumper grain harvest again. The total grain output reached 1,985,100 tons, a 5.1 percent increase over 1990, being equal to the previous peak. The municipality has reaped a bumper grain harvest over the past eight consecutive years. The per mu yield reached 289 kg, a 4 kg and 5.1 percent increase over 1990. The cotton output showed a greater increase because of the enlarged sowed acreage and the introduction of new seed. The construction of the "vegetable basket project" continued to progress and the production of major nonstaple foodstuffs also showed an increase to varying degrees.

The output of major farm products was as follows:

	Unit	1991	Percentage increase over 1990
Gross grain output	10,000 tons	198.51	5.1
Of which: summer grain	10,000 tons	62.00	0.0
autumn grain	10,000 tons	136.50	5.2
Cotton	10,000 tons	2.55	66.5
Oil-bearing crops	10,000 tons	4.50	-3.7
Fruits	10,000 tons	12.55	24.3
Vegetables	10,000 tons	282.56	5.4
Meat	10,000 tons	13.05	9.8
Of which: pork	10,000 tons	9.11	1.6
beef and mutton	10,000 tons	1.52	24.6
Poultry eggs	10,000 tons	21.40	14.8
Milk	10,000 tons	8.79	15.6
Aquatic products	10,000 tons	10.81	-0.3
Of which: freshwater products	10,000 tons	7.68	6.5
Pigs (year-end figure)	10,000 head	4.68	7.2
Of which: fertile pigs			
10,000 head	11.38	35.5	
Pigs slaughtered	10,000 head	126.08	1.9

Agricultural investment continued to increase, and agricultural production conditions improved further. In 1991, the municipality's appropriations for agriculture were 188 million yuan, and the newly added agricultural loans granted by financial institutions was 898 million yuan, up 16.8 percent over 1990. In 1991, a total of 74,151,200 cubic meters of earth and stone work were completed for water conservancy facilities, up 24.8 percent over 1990. By the end of 1991, the aggregate power of the municipality's farm machinery reached 4.478 million kilowatts, up 1.8 percent over the figure at the end of 1990. A total of 70,000 tons of chemical fertilizers (100 percent effective composition) were applied in the year, up 1.5 percent over 1990. Rural consumption of electricity in the year was 181 million kwh, up 12.4 percent. Cultivated farmland was expanded further.

Rural economy developed in a comprehensive way. In 1991, the total product of the rural society of the municipality was 32.05 billion yuan, up 15.7 percent. Of this, the total industrial output value of the rural areas was 23.32 billion yuan, up 21 percent; and the output value of construction and transportation trades went up by 17.7 percent and 15.3 percent over 1990 respectively. The proportion of non-agricultural industries in the total product of the rural society rose from 80.2 percent in 1990 to 82.2 percent.

### 3. Fixed Assets Investment and Construction

In 1991, along with the strengthening of the construction of key projects, the pace of technological transformation of old enterprises was accelerated, and the investment in fixed assets increased by a large margin. In 1991, an investment of 13.003 billion yuan was put in fixed assets, up 48.3 percent over 1990. Of this, 9.429 billion yuan of investment was made by localities, up 64.1 percent. In the total investment in fixed assets, 10.968 billion yuan was invested in the fixed assets of the state-owned units, up by 52 percent; 6.417 billion yuan was invested in capital construction projects, up 60.2 percent; and 3.271 billion yuan was invested in technological transformation projects, up 41.3 percent.

In 1991 the state listed the municipality as a key city in renovating old enterprises, and the investment in industrial technological transformation extricated itself from the several years' declining trend. In 1991, the municipality invested 2.325 billion yuan in carrying out industrial technological transformation, up 59.1 percent, of which 1.834 billion yuan was invested in the technological transformation projects of local-run industrial enterprises, up 61.6 percent. In 1991, 560 industrial technological transformation projects were completed and put into operation.

The investment structure was further readjusted. The investment in productive projects of state-owned units was 9.321 billion yuan, an increase of 60.0 percent; and that in nonproductive projects, 1.647 billion yuan, an increase of 18.2 percent. Of the total investment, the investment in basic and raw material industries reached

4.781 billion yuan, an increase of 120 percent; that in the energy industry was 3.233 billion yuan, an increase of 21.2 percent; and that in cultural, educational, and health departments increased by 21.7 percent.

The construction of key projects was in full swing. The investment in 82 key projects across the municipality reached 6.198 billion yuan. By the end of the year, 32 projects were completed, went into operation, or were made available to the users. Of the key energy and communications projects, the Dagang and Junliangcheng Power Plant reconstruction and expansion projects developed according to the planned schedule. The Jixian Power Plant formally started construction. The Zhoulu local railway line and the Jingang road opened to traffic. The investment in the seamless steel tube project was 2.893 billion yuan during the year and the total investment in this project was 4.148 billion yuan. Methonin and glass bottle projects were basically completed. The reconstruction of the cold-rolled steel plate plant and the development of the project for production of 30,000 Xiali limousines and the project for remodeling 130 vehicles, and the technological transformation of the light and textile industries attained the planned targets. The cultural, education, and health projects were completed. The radio and television tower formally started broadcasting on 1 October. The construction of the No. 1 Central Hospital was basically completed.

In 1991, 5.497 billion yuan worth of fixed assets were newly added to the state units, an increase of 10.7 percent over the previous year. Of this, 3.55 billion yuan of fixed assets were added to the industrial enterprises, an increase of 36.5 percent. Some 57.6 percent of the newly added fixed assets were made available to the users and 57.9 percent of the construction projects were completed and went into operation. The newly added production capacity of the state units through capital construction, equipment renewal, and technological transformation included 320,000-kw power generating units, 690,000-ton port loading and unloading capacity, 500,000-ton steel making capacity, 150,000 television set production capacity, 31,400 urban telephone lines, and 19,800-ton machine-made paper and paper board production capacity.

Along with the expansion of the construction scale, the building trade steadily improved. In 1991, the total output value of the state-owned building industrial units reached 3.48 billion yuan, an increase of 9.8 percent. Their per capita labor productivity was 18,600 yuan, an increase of 17.2 percent. However, their economic results were not ideal enough.

#### 4. Transport, Post and Telecommunications

The communications and transportation production comprehensively rose. The freight transported by various means increased by 10.2 percent and the rotation volume of goods transport increased by 7.0 percent.

Freight transported by various means was as follows:

	Unit	1991	Percentage Rise Over 1990
Volume of freight transport	10,000	23,014.48	10.2
Of this: Railway	100 million-ton-km	7,070.18	1.3
Highway	10,000-ton	14,537	17.9
Waterway	10,000-ton	1,089.0	9.1
Of this: Ocean	10,000-ton	1,040.44	10.1
Airway	10,000-ton	0.30	76.5
Rotation Volume of Goods	100 million-ton-km	1,633.96	7.0
Of this: Railway	100 million-ton-km	641.66	3.5
Highway	100 million-ton-km	37.16	-28.7
Waterway	100 million-ton-km	954.33	14.0
Of this: Ocean	100 million-ton-km	954.3	14.0
Airway	100 million-ton-km	0.05	66.7
Volume of Passenger transported	10,000 persons	3,682.25	-0.02
Of this:			
Civil Aviation:	10,000 persons	8.27	37.2
Highway (long-distance)	10,000 persons	451.89	1.1

The harbor's functions of collecting and disbursing goods was somewhat enhanced. The volume of loaded and unloaded goods through the Tianjin harbor in 1991 was 23,775,600 tons, a 15.3 percent increase over 1990. Of this volume, that of exported goods was 14,877,700 tons, a 24.5 percent increase over 1990, and that of imported goods was 8,897,900 tons, a 2.5 percent increase over 1990.

The postal and telecommunication undertakings continued to achieve development. The total volume of postal and telecommunication business reached 445 million yuan, a 36 percent increase over 1991. Of this volume, that of postal business reached 83 million yuan, a 16.2 percent increase over 1990; and that of telecommunication business reached 363 million yuan, a 41.6 percent increase over 1990. The municipality published 259 million newspapers and periodicals, showing a 6.6 percent increase over 1990. It handled 27,063,200 long-distance calls, showing a 50.6 percent increase over 1990. At the end of 1991, the total installed capacity of telephones reached 267,800 lines, a 40,600 line increase over the figure scored at the beginning of 1991. Of this capacity, that of program-control telephones reached

200,700 lines, a 41,200 line increase over the figure scored at the beginning of 1991. The total number of telephone sets throughout the municipality reached 328,000, a 10.2 percent increase over 1990.

#### 5. Domestic Commerce and Commodity Prices

The scope of commodity circulation in 1991 was expanded, and markets gradually normalized. The municipality's total value of purchasing domestic commodities was 16.65 billion yuan, an 11.7 percent increase over 1990; that of transferred commodities to the municipality was 7.43 billion yuan, a 3.9 percent increase over 1990; that of commodity sales was 20.42 billion yuan, a 15.4 percent increase over 1990; and that of transferred goods out of the municipality was 9.89 billion yuan, a 9.3 percent increase over 1990. The retail sale of commodities through various commercial enterprises increased overall. Of this increase, that of the state-run commercial enterprises was 15.4 percent; that of collective-run commercial enterprises was 6.3 percent; and that of individual-run commercial enterprises was 14.5 percent.

The business in both urban and rural markets began to rise again overall, and the sale of commodities of food, cloth, and daily necessities increased on a large scale. The retail sales of urban commodities showed a 13.9 percent increase for the year, that of commodities at or below the county level showed a 9.2 percent increase, that of food commodities showed an 18.5 percent increase; that of garments showed a 15.1 percent increase; and that of daily necessities showed an 8.3 percent increase. Excluding the factor of price hikes, the retail sales of food commodities showed a 6.7 percent increase; that of garments showed an 8.6 percent increase; and that of daily necessities showed an 8.2 percent increase. The standing of commodity sales continued to be upgraded.

On the premise of keeping the whole situation stable, the municipality took a new step in conducting price reform. It readjusted the sale prices of fixed-volume grains and oil-bearing seeds systematically and in a planned manner, relaxed the restriction on fresh eggs, and also readjusted the standard of charges of a number of service trades. Both the people's feeling and retail markets were basically stable due to the abundant supply of marketing commodities. The general level of retail prices of consumer goods for the year showed an 8 percent increase over 1990, that of food commodities showed an 11.8 percent increase, that of clothes showed a 6 percent increase, and that of daily necessities was basically equal to that of 1990. The general level of wages of staff members and workers in the year showed a 10.2 percent increase over 1990.

#### 6. Economic and Trade Relations With Foreign Countries and Tourism

In 1991 the municipality fostered a positive trend in foreign trade and exports, thanks to the enforcement of the new system of managing foreign trade and assuming losses and profits in foreign trade independently as well

as great attention to the economic results of exports. The total output value of commodities sold in foreign trade and as exports reached \$1.606 billion, being 110.8 percent of the annual plan. The cost of earning foreign exchange through exports declined, and the municipality succeeded in assuming losses and profits independently in the year.

Utilization of foreign investment increased even more. In 1991 the municipality actually utilized \$481 million in foreign investment, up 43.9 percent over 1990; of this, direct investment by foreign traders amounted to \$94 million, up 12.9 percent. Sino-foreign joint ventures and cooperative and solely foreign-invested enterprises increased rapidly. In 1991, 354 enterprises signed new foreign investment contracts, 225 more than that of 1990; of this, 118 had only foreign investment, 61 more than in 1990. Foreign investment covered by contracts reached \$250 million, up 36.2 percent over 1990; of this, investment directly made by foreign traders reached \$197 million, up 20.1 percent. By the end of 1991, there were 898 enterprises involving foreign investment contracts; of these, 312 have already started business, earning \$120 million in foreign exchange, up 32.4 percent over 1990.

Development of the economic and technological development zone snowballed, and its production and construction developed steadily. In 1991, 121 enterprises involving foreign investment in the zone signed new contracts, accounting for one third of the total number of such enterprises newly approved by the municipality, 67 more than that in 1990; the utilized foreign investment covered by contracts reached \$170 million, up 39 percent. By the end of 1991, 175 enterprises involving foreign investment were put into production. In 1991, the economic and technological development zone created 1.87 billion yuan in the total industrial output value and 310 million yuan in profits, both registering an increase of 140 percent over 1990. To meet the demands of opening to the outside world and developing the export-oriented economy, with the approval of the State Council, the municipality built a bonded area with transit trade predominating, the first of its kind in northern China, and began attracting traders from other localities.

International tourism developed rapidly. In 1991, the municipality received 62,700 foreign tourists, up 12 percent over 1990; foreign exchange revenues from tourism reached 176 million yuan (Renminbi for foreign exchange purpose), up 56.8 percent, or a record high.

#### 7. Finance, Banking, and Insurance

Along with the stable pick-up of production and the gradual improvement in efficiency, the municipality's financial revenues reversed the declining trend of the previous year. In 1991, municipal financial revenues were 4.9 billion yuan, up 1.9 percent in terms of comparable standards, or overfulfilling the budgeted figure. Of



this, revenues from industrial enterprises were 429 million yuan, up 5.1 percent; industrial and commercial taxes were 4.971 billion yuan, up 1.8 percent. In 1991 the municipal financial expenditures were 3.711 billion yuan, up 1.5 percent over 1990. The monetary situation was relatively stable, and the credit structure was readjusted. By the end of 1991, savings deposits of financial institutions in the municipality totaled 33.656 billion yuan, 7.29 billion more than the figure at the beginning of 1991, or 1.303 billion yuan more than the increased figure of 1990; loans of all kinds amounted to 48.743 billion yuan, 7.013 billion yuan more than the figure at the beginning of 1991, or 419 million yuan less than the increased figure of 1990. The accounts show that the difference in loans decreased by 183 million yuan from that at the beginning of the same year. Credit structure was readjusted, the loans used as fixed assets investment increased substantially, and the loans used as floating funds decreased.

In 1991 the cash revenues of banks totaled 28.709 billion yuan, up 19.7 percent over 1990; the cash expenditures of banks totaled 29.537 billion yuan, up 22.1 percent. The accounts show a net currency issuance of 828 million yuan, up 300 percent over 1990, a record year in the issuance of currency.

Insurance services continued to develop. In 1991 the total assets of various insurance properties was 70.943 billion yuan, up 8.6 percent over 1990; the premium from domestic property insurance was 240 million yuan, up 27.2 percent. Meanwhile, a total of 180 million yuan was paid out in insurance indemnities, up 55.5 percent.

#### 8. Science and Technology

Rapid progress was made in science and technology. The municipality registered 820 major scientific and technological discoveries, an increase of 23.9 percent over the previous year. Of this, 197 were national-level major scientific and technological discoveries and 623 were municipal-level major scientific and technological discoveries. Of these scientific and technological discoveries, 29 were new international discoveries, 185 were international advanced scientific and technological discoveries, 261 were new domestic discoveries, and 345 were domestic advanced discoveries. Six won the state invention awards, 25 won the state scientific and technological progress awards, and two won the state spark awards. Some 71.1 percent of the major scientific and technological discoveries were applied.

By the end of 1991, 5,938 scientific and technological discoveries applied for patents, and 2,575 discoveries gained patent right with approvals. A total of 1,362 discoveries applied for patents, and 606 discoveries received patent rights during the year, setting historical records. Some 32 percent of the scientific and technological discoveries with patent rights were popularized. At the sixth national invention exhibition, the municipality won three golden prizes, eight silver prizes, and 14 bronze prizes. About 78 percent of the scientific and

technological discoveries won prizes. At the 40th Eureka World Fair for Inventions, the municipality won two golden prizes.

Technology markets had a sustained and stable development. A good technology export trend emerged. In 1991 technology contracts involved 343 million yuan, increasing 14 percent and setting an historical record. Of this, the contracts on development of high technologies and on technology transfer totaled 203 million yuan, accounting for 59.2 percent of the total. Eleven export industrial technologies created \$30.36 million in foreign exchange.

With state approval, the new-tech industrial garden area developed rapidly. In 1991 the garden area had 213 enterprises and 8,929 employees. The total income of the garden area was 378 million yuan, the output value reached 372 million yuan, the profits totaled 36.499 million yuan, the taxes totaled 17.547 million yuan, and the total export volume reached 16.67 million yuan.

#### 9. Education, Public Health, and Sports

Education developed steadily. By the end of 1991, the municipality had 27 ordinary institutions of higher learning. The enrollment in these institutions was 49,900 students, a decrease of 1,100 students. There were 418 doctorate postgraduates and 2,909 master postgraduates. The institutions of higher learning across the municipality recruited 1,139 postgraduates in various disciplines, and 1,083 students graduated. A total of 14,500 undergraduates and students taking special courses were recruited, and 15,100 undergraduates and students taking special courses graduated. By the end of the year, the municipality had 306 secondary vocational and technical schools. These schools had an enrollment of 32,800 students. In 1991 the municipality built and rebuilt a number of primary and middle schools. The conditions for development of basic education further improved. Ordinary middle schools recruited 137,100 students, an increase of 16,400 students over the previous year. Primary schools recruited 132,000 pupils, a drop of 15,300 students. By the end of the year, ordinary middle schools had an enrollment of 367,200 students, and primary schools had an enrollment of 865,500 students. In 1991 the school entrance rate of the children of school age was 99.32 percent, and the school entrance rate of the primary school graduates was 97.35 percent.

Progress was made in adult education.

Public health undertakings continued to develop. Medical conditions for urban and rural people were further improved. The No. 1 hospital subordinate to the traditional Chinese medicine hospital started to serve the people within the year. By the end of 1991, the municipality had 3,397 medical and health organizations, an increase of 5 organizations over the previous year. Of this, 300 were hospitals, an increase of seven. By the end of the year, the hospitals across the municipality had 35,100 beds, an increase of 1,700 over the previous year.

The municipality had 68,900 specialized medical technicians, an increase of 1,400 people. Of this, 32,400 were doctors and 19,200 were senior nurses and nurses. Every thousand people had 4.02 beds and 7.89 specialized medical technicians, registering increases over the previous year.

Physical culture and sports scored new achievements. In 1991 the municipality's athletes won 23 gold medals, 14 silver, and five bronze in international games. They won 30 gold medals in the national games and broke three national records.

The mass sports activities continued vigorous development. In 1991 the municipality sponsored 1,340 athletic meetings at or above the township-town level with the participation of 539,500 athletes. Of these meetings, 543 were held at or above the district-county level, with 152,600 athletes participating.

#### 10. The People's Livelihood

The incomes of both urban and rural people continued to increase, and the living standard was upgraded. Sample investigations conducted among both urban and rural households revealed that the 1991 per capita living income of urban areas was 1,698.7 yuan, an 11.6 percent increase over 1990 and a 1.3 percent increase excluding the factor of price hikes; per peasant net income was 1,168.5 yuan, a 9.3 percent increase over 1990.

Urban employment continued to increase. At the end of 1991, the number of staff members and workers throughout the municipality was 2,915,300, an increase of 72,200 persons over the figure at the end of 1990. Of this number, staff members and workers of the state-run enterprises were 2,193,100; collective-run enterprises, 661,700; joint-venture enterprises and other units, 60,500; and urban self-employed workers, 51,700. The municipality carried out job placement for 25,000 personnel among the state-run and collective-run enterprises as well as three-capital enterprises. The wages of staff members and workers in 1991 amounted to 7.995 billion yuan, a 15.2 percent increase over 1990. The per capita wage was 2,740 yuan, a 12.4 percent increase over 1990 and a 2 percent actual increase excluding the factor of price hikes in living expenses.

Bank savings deposits made by both urban and rural people increased greatly. At the end of 1991, saving deposits by both urban and rural people reached 16.318 billion yuan, a 3.626 billion yuan and 28.6 percent increase over the figure at the beginning of 1991. Of these savings deposits, those made by urban people reached 13.099 billion yuan, a 28 percent increase over the figure at the beginning of 1991; those made by rural people reached 3.219 billion yuan, a 30.7 percent increase over the figure at the beginning of 1991.

The living environment and housing conditions of both urban and rural areas improved. The municipality opened three new bus routes. At the end of 1991 the number of bus routes was 161 with 1,995 buses in

operation, which provide service along 2,984 km of highways. The annual number of bus passengers was 664.1 million. The annual consumption volume of natural and propane gas was 299.35 million cubic meters. The per capita housing acreage in urban area increased from 6.66 square meters in 1990 to 6.87 square meters in 1991 and that in rural area was 17.16 square meters.

Social welfare continued to develop. At the end of 1991, the social welfare institutions throughout the municipality possessed 1,533 beds, a 262-bed increase over the figure at the end of 1990, accommodating 1,224 elderly, infants, and mentally and physically handicapped patients.

#### 11. Population

At the end of 1991, the number of permanent residents throughout the municipality was 8.726 million, an increase of 64,000 people and .7 percent over the figure at the end of 1990. Of this number, 4.903 million were nonagricultural, a 1 percent increase over 1990; 3.823 million were agricultural, a 0.4 percent increase over the figure at the end of 1990. The annual birth rate was 11.94 per thousand, and death rate was 5.78 per thousand. The rate of natural population growth was 6.16 per thousand, a 3.67 permillage point decrease over 1990.

#### Footnotes:

1. The calculation of the gross national product, national income, and the total product of the rural society was carried out according to the prices in the year; that of increases was carried out in terms of comparable prices.
2. The calculation of total industrial and agricultural output value and the general volume of postal and telecommunications businesses was carried according to the fixed prices of 1990; that of increases was carried out in terms of comparable prices.

### NORTHWEST REGION

#### Taiyuan Lantern Festival Disaster Investigated

92CE0456D Xian SHAANXI RIBAO in Chinese  
11 Apr 92 p 7

[Article based on ZHONGGUO JIANCHA BAO [CHINA PROCURATORIAL NEWS] report: "Taiyuan Lantern Festival: 105 People Lost Their Lives"]

[Text] Last September, the "Shining Sea of Coal" Lantern Festival sponsored by the Shanxi Coal Mine Lantern Society and Taiyuan City's Yingze Park was one of the cultural activities held in celebration of Shanxi Province's Friendship Exchange Week, the Shanxi International Gongs and Drums Festival, and the Second Annual Chinese Folk Art Festival.

Beginning on 24 September (14th day of the eighth month by the lunar calendar,) and following the opening ceremony celebrating "one week, two festivals" and the

arrival of the Mid-Autumn Festival, the masses were in a fervor, eager to view the magnificent lantern display. Daily ticket sales for the evening shows exceeded 10,000, rose to 58,000 by the 23rd, and even reached 64,000 on the 24th. Meanwhile, more than 50,000 complimentary tickets were also offered.

On the evening of the 24th of September, at least 50,000 people entered the park to view the lantern display. At approximately 8:30, there was serious congestion near the stone piers at the east end of Qikong Bridge, and the crowd soon got out of control. There were two large concrete barricades blocking traffic at the western slope near the bridge; some people were falling; others were tripping over them; and later, for no apparent reason, other people also began to fall. People were blocking the way ahead and more people continued to push forward from behind. Someone shrieked; someone cried; and chaos broke out.

Afterwards, the public security police who arrived at the scene recovered 683 shoes, 201 pieces of clothing, 11 hats, 16 bookbags, eight watches, 23 pairs of glasses, and 303.25 yuan in cash.

But 105 lives could not be saved. Of those, 27 were men and 78 were women. Another 108 were hospitalized. Afterwards, the joint investigation team found that those who headed the "One Week, Two Festivals" organizational committee had only been interested in making the event a way to increase economic exchange, trade, and business. This by itself is no cause for criticism; however, while they were more than eager to sign contracts to make big money, they were indifferent when it came to protecting the lives and properties of the masses.

First, they had made no special security studies. Second, they had made no specific arrangement with the department in charge of this task. Li Zhenhua [2621 2182 5478], chairman of the "One Week, Two Festivals" organizational committee and lieutenant governor of Shanxi, not only did not personally examine the security program, he did not even ask his secretary to check before approving it. When there management at the "Shining Sea of Coal" lantern display grounds slacked off, when ticket sales went out of control, and when chaos broke out, they were not even aware of the problems—how could they do anything about them?

When several hundred spectators swamped to the narrow Qikong Bridge at the same time, when more and more people gathered on and near the bridge, and when the crowd got so big it could not move, had there been enough manpower to direct traffic and tighten security, it might still have been chaotic because of the big crowd, but eventually order could have been restored.

But nobody was there to take responsibility during the crisis.

On 11 December 1991, the State Council obtained a report from the joint investigation team. On 14 December, the Supreme People's Procuratorate, the

Ministry of Public Security, the Ministry of Supervision, the Ministry of Labor, and the Ministry of Construction jointly held a "September 24" case coordination meeting to study the joint investigation team's analysis and suggestions regarding the incident as well as suggestions from relevant personnel in charge.

On the first day of 1992, the Party Central Committee, followed by the State Council, sent down their instructions pertaining to the "September 24" incident.

On 27 February, based on facts and the law, Shanxi Taiyuan City's procuratorate charged those whose negligence had directly caused the incident, and a case was filed against Liu Tongxiang, Zhang Yangzhong, Wang Xiaoning, and Tong Maishu for the crime of negligence of duty.

Recently, at the 27th session of the Standing Committee of the Shanxi Provincial People's Congress, Li Zhenhua was dismissed from his post as lieutenant governor.

Thirteen officials, including a certain deputy director of Shanxi's public security department and a certain deputy chief of Taiyuan City's public security bureau, were also disciplined by the party.

### Counterfeiting Ruins Shaanxi Rice Crust Business

92CE0456C Xian SHAANXI RIBAO in Chinese  
15 Apr 92 p 1

[Article in "Traveling 10,000 Li for Quality in China" column by reporter Zhou Laiyan (719 0171 1750): "How Did the Fake 'Sun' Eclipse the Real 'Sun'?—Revelations of the Rise and Fall of the Sun Brand Rice Crust"]

[Text] Xian's sensational "Sun" brand rice crust, which once shone brightly, has suddenly dimmed and lost all its luster in the market. Many have been intrigued by its sweet tale and bitter story.

### Assaulted By Fake "Suns"

"You'll never know unless you try it, and once you have tasted it, you'll never forget it." This familiar jingle, known to every woman and child, had piqued the curiosity of millions of consumers at one time and had made rice crust, the snack with a unique flavor, the nation's favorite snack; it sold like hotcakes. At the same time, it also became the "target" of many counterfeiters.

In 1988, a peasant family in Huxian County used a large wok and a cutting board and started a counterfeit "Sun" rice crust business. Before long, it was making good money. The relevant departments knew about it but did nothing. Soon 60 to 70 rice crust factories sprang up everywhere. Over the next two to three years, the counterfeit rice crust business ran rampant. In 1991, Xian's Bureau of Industry and Commerce uncovered more than 700 counterfeit "Sun" rice crust makers and netted 17,165 large cases of rice crust.

Under assault from this huge counterfeit force, the Xian Picnic Food Products Factory took out ads to warn the consumers and also changed its packaging—but the counterfeiters were too smart. No matter what new packaging they used, it would be copied within several days, making it impossible for people to tell the genuine product from the fakes. Helpless, the manufacturer turned to the public security and the industrial and commercial departments for help and sought their legal protection. Beginning in the fourth quarter of 1990, they began investing more than 1 million yuan, bought some delivery trucks and more than 20 BP machines, and concentrated substantial human and financial resources on cracking down on the counterfeiters. Due to the imperfect legal system and strong local protectionism, however, the effect was minimal. Counterfeits continued to flood the market; the “Sun” brand rice crust soon lost prestige; and sales volume plummeted. Output fell from 23,571 tons in 1990 to 4,814 tons in 1991—an 80 percent drop. Profit also fell from 23 million yuan to 2.69 million yuan, an 89 percent decrease. A once vigorous enterprise was on the brink of shutting down.

#### Policy Mistakes

Erroneous policies were partly to be blamed for “Sun” brand rice crust’s downfall. When the “Sun” brand rice crust first rose in popularity and won the favor of many consumers, the Xian Picnic Food Products Factory seemed at a loss as to what they should do next. In order to get a larger market share, they decided to set up many local plants to increase productive capacity. They formed the “Sun Food Product Group,” and within a short period of time, they set up 53 branches in Xian, Changan, Huxian and other localities. Some of these processing plants were housed in dilapidated buildings using obsolete equipment and bare-bones facilities. On the question of sanitation and workers’ health conditions alone, many were substandard. Some local plants simply ignored the quality and technical standards set by the company and ran their own factory within the factory. Some parceled out raw materials and jobs to friends and relatives. This type of production and management of course made quality control impossible, and so many of the fake and poor-quality rice crusts in the market were actually produced by the local plants. As the product’s reputation sank and market conditions changed dramatically, the local plants were thrown into confusion. Some deliberately lowered the price to increase sales; some even covertly sold their packaging materials to make money. In Baoji City, this reporter learned that one rice crust processing plant was actually using bags sold to them by the Xian Picnic Food Products Factory. As for quality, there was no supervision. This made it impossible to differentiate what was real, what was fake, what was genuine, and what was imitation. Everything was mixed up like a pot of stew.

“We ruined the ‘Sun’ brand rice crust ourselves,” a local plant manager said frankly and bitterly.

#### A Bitter Lesson

The rise and fall of the “Sun” brand rice crust have taught people many lessons.

First, the foodstuff industry is scattered among many departments. It requires little investment and produces quick result. It is imperative that we increase macro regulation and control and tighten administration of the entire industry. Just imagine if there had been timely macro control to prevent everybody from rushing into mass action when the rice crust business was hot and demand exceeded supply, perhaps things would be different today.

Second, vigorous protection and support from the government departments is lacking. When the “Sun” brand rice crust rose in fame overnight, it gave Xian’s backward food industry new hope. When counterfeiting ran rampant and all sorts of rice crusts flooded the market, however, the relevant departments failed to crack down on the counterfeiters to protect the genuine goods, and everyone just sat there and watched as the “Sun” brand rice crust went down the drain.

Third, there has been no new breakthrough. Being a snack, the future of rice crust is very limited. Someone repeatedly urged the manufacturer and the managing department to pay more attention to producing substitutes and developing new products and to use the “Sun” brand rice crust’s name to produce a new generation of snack food, explore new possibilities, and stockpile reserves for the new generation, because only in this way could the enterprise hold on to its market share. Unfortunately, although the factory did pay some attention to the advice, it never followed through; although it produced some similar food products, it never strayed too far from the production of rice crust. Consumers who got tired of rice crust began to look for other products, but the manufacturer came up empty. They keep peddling the same old stuff, but who is interested anymore?

#### Shaanxi To Strengthen Cultural Relics Work

92CE0456B Xian SHAANXI RIBAO in Chinese  
15 Apr 92 p 2

[Article entitled “Shaanxi Provincial Party Committee and the Shaanxi People’s Government Issue Decision on Further Strengthening Cultural Relics Work (13 Apr 1992)”]

[Text] Since reform and opening up began, especially in the last 10 years, Shaanxi’s cultural relics work has produced remarkable results; every undertaking has made good progress. Leaders at all levels and the masses have clearly acquired a better understanding of the importance and the role of cultural relics. The legal system pertaining to cultural relics has been further strengthened; the management of cultural relics work is gradually improving. On top of some major archaeological discoveries, we have also built several fairly impressive museums, and our effort to protect the cultural relics

has entered a new phase. The development of cultural relic undertakings has given important impetus to the province's reform and opening up as well as the two civilizations.

But we should also realize that Shaanxi's cultural relics work has not kept pace with the Central Party Committee's recent call to accelerate reform and opening up and to speed up economic construction and has not helped the province attain the status it deserves. Indeed, our cultural relics work is still plagued by many problems and difficulties. To seize the opportunity before us and further strengthen our cultural relics work and take advantage of Shaanxi's cultural relics, we must strive for even greater development in the next few years. For this reason, we have made the following decisions:

#### **I. Be Practical and Continue To Implement Diligently the State's Guiding Principles on Cultural Relics Work**

It is pointed out in the "State Council's Circular on Further Strengthening Cultural Relics Work" (State issuance [1987] No. 101) that, "the task and the guiding principle for cultural relics work today is to enhance protection, improve management, do a good job with reform, take full advantage of the cultural relics, carry forward the nationalities' fine cultural traditions, serve socialism, serve the people, and contribute toward the development of a socialism with Chinese characteristics." The theme of this task and guiding principle is to ensure the safety of the cultural relics and take full advantage of them. This will play a very important guiding role in further improving cultural relics work and in the long-term development of this undertaking under the current condition of reform and opening up. Party and government leaders at all levels, the relevant departments, and especially the masses of cadres and workers at the cultural relics frontline, must continue to study diligently and understand thoroughly the gist and the essence of the State Council's circular and conscientiously reach a common understand about the state's guiding principle on cultural relics work.

To put into effect the guiding principle on cultural relic work, we must give every consideration to the province's actual condition. Today, this means going one step further to deal properly with the relationship between protecting and making use of the cultural relics, between social benefits and economic benefits, and between centralized management and division of labor. We must make the protection of cultural relics the foundation of all cultural relics work and the basic premise if we want to take advantage of cultural relics. We must apply strict management, perfect the legal system, and rely on science and technology to raise the standard of cultural relics protection to a new level. We must make social benefits our highest standard, and by using different formats to publicize, study, and display the cultural relics, we can take even greater advantage of the important role of cultural relics in Shaanxi's socialist construction. We must rely on the relevant laws and regulations

to exercise uniform management regarding the excavation, maintenance, preservation, transfer, and shipment to foreign countries of cultural relics. We must rectify the erroneous practices in some localities and departments, which insist on local custody and which have refused to let the higher-level governments and administrations implement centralized management.

To put into effect the state's guiding principle on cultural relics work, we must also be practical and further deepen the reform process. Reform of cultural relics work will help us carry forward the Chinese nationalities' fine cultural traditions, give play to our advantage of having so many cultural relics, and will promote Shaanxi's economic and social development.

#### **II. Increase Cultural Relics Propaganda and Increase the Masses of Cadres and People's Consciousness About Protecting and Taking Advantage of the Cultural Relics**

All localities and relevant departments should use every tool of propaganda to give further publicity to the "PRC's Law on Cultural Relics Protection," the "Shaanxi Cultural Relics Protection and Management Regulations," and other policies and regulations pertaining to cultural relics work. They should publicize the significance and impact of taking advantage of our rich cultural resource on Shaanxi's thorough reform and further opening up. They should give publicity to people or incidents that have played a special role in the protection of cultural relics, in archaeology and excavation, in scientific studies, and in making good use of cultural relics. The propaganda, cultural relics, and publishing departments should organize the manpower to work diligently on some high-quality, serialized publications, TV shows, and video tapes about Shaanxi's cultural relics and treasures as a way to increase and broaden foreign publicity. The education department should increase the elementary and middle school students' general knowledge about cultural relics and about protecting the cultural relics. It should work with the CYL [Communist Youth League] organizations to actively take advantage of the province's museum-kept relics and educate the young people about patriotism and about the Chinese nationalities' fine cultural traditions. Newspaper and magazines must reserve a special page or devote a special column to propagate the need to protect cultural relics, to make scientific use of cultural relics, and to take advantage of Shaanxi's rich cultural resource. The cultural department must give play to its unique characteristics and use lively and artistic formats to launch cultural relic propaganda work.

Various cultural relic and natural science units should take advantage of the cultural relics to educate the masses of cadres and people, especially the young people, about loving the fatherland, about loving Shaanxi, and about historical materialism. They should give vigorous support to organizing groups of young people to tour the exhibits. They should make use of cultural relics to enrich the people's spiritual lives and improve their

cultural quality, so that the cultural relic and natural science units truly become an important front for developing the socialist spiritual civilization. They should integrate routine propaganda work and intense propaganda activities. The provincial party committee and the provincial government have named November of each year Cultural Relics Propaganda Month. In order to strengthen foreign cultural exchange and tourism, we must continue to exhibit Shaanxi's fine cultural relics at home and abroad. Through intensive propaganda and exhibitions, we can educate the masses of cadres and people about the legal system pertaining to the protection of cultural relics, increase their awareness about protecting and making scientific use of cultural relics, and further enhance the attraction and the impact of Shaanxi's cultural relics.

### **III. Improve the Legal System Pertaining to Cultural Relics and Effect Stronger Cultural Relics Protection According to the Law**

In recent years, the state has promulgated the "PRC's Law on Cultural Relic Protection" and Shaanxi Province has also promulgated the "Shaanxi Province Cultural Relics Protection and Management Regulations" and other laws and regulations. The task of improving the legal system pertaining to cultural relics is still very arduous, however. Party and government leaders at all levels should organize the manpower to conduct an in-depth study of the situation and the practical problems, and by first broadly soliciting ideas from the public and conducting scientific debates, they should then draft and formulate relevant laws and regulations to complement the existing ones.

We must take a step further to enforce the laws pertaining to cultural relics. The public security, judicial, procuratorial, railroad, communications, administration of industry and commerce and other departments and the cultural relics departments should work closely together and continue to crack down on such crimes as theft, illegal excavation, vandalism, profiteering, smuggling, and illegal trading of cultural relics. They must enforce the following rules: All buried cultural relics belong to the state; no unit or individual may excavate them on their own or claim ownership. Units that are not in charge of protecting cultural relics but have uncovered such relics through the purchase of used or discarded goods and materials, through confiscations, or in the process of solving crimes must hand over those goods to the cultural relics department for safekeeping and are prohibited from collecting them or selling them for a profit. The sale of cultural relics overseas must be handled centrally by the cultural relic stores run by the state; other units and individuals are prohibited from purchasing, reproducing, or selling them. The production and sale of reproductions and copies must be regularly examined and sorted out; substandard operations must stop production immediately, and the sale of substandard goods is prohibited. We must increase supervision and examination of law enforcement. Those

who disobey the law or fail to enforce the law will be prosecuted and punished severely.

We must conscientiously strengthen the protection and management of cultural relics when undertaking capital construction projects. The cultural relics protection units' protective measures should be included in the government's urban and rural construction programs at all levels. If a construction project truly requires the involvement of a cultural relic protection unit, it must comply strictly with all existing regulations and go through the necessary procedure. Any large-scale construction work to be done in a confirmed or potential cultural relic burial site must have the prior approval of the Administration of Cultural Relics Department, and all investigation and exploration at the construction site should be conducted jointly with the Cultural Relics Management Department. All expenses incurred in cultural relic investigation, exploration, and archaeological excavation done in association with a capital construction project will be paid by the construction unit or billed by the construction unit to a higher-level planning department. If a construction unit or a unit in charge of actual construction work or an individual should uncover an ancient relics site or ancient burial ground or other relics, all work must stop immediately to protect the site, and the find must be reported to the Cultural Relics Management Department.

We must go a step further and improve the offices responsible for the safekeeping of cultural relics. The provincial public safety department and prefectural and city public safety bureaus (offices) should strengthen the police force to protect cultural relics and set up a cultural relics security section or assign specialized cadres or police and equip them with the necessary means of transportation and detective apparatus. The Cultural Relics Management Department should set up a cultural relics security office (section), a cultural relics protection unit, or a safekeeping unit, and no less than 10 percent of the personnel should be assigned to guard duty. The public security department must increase inspection and provide stronger guidance with respect to protecting the key cultural relic and natural science units. It should improve the security system and put the safety measures to work. It should set up and perfect a cultural relics protection net with mass character and make protecting the cultural relics an important part of the village rules and citizens' pact. The peasant cultural relic guards in the villages should receive reasonable subsidies, and those who have done an outstanding job should be rewarded accordingly.

### **IV. Deepen the Reform and Open Up Even More. Widen the Path of Exploration and Utilization of Cultural Relic Resources**

The main task in reforming cultural relics work today is to find new ways and new methods to explore, develop, and utilize Shaanxi's cultural relic resources and take advantage of this resource at different levels and in

different ways. We should link our cultural relics undertakings to tourism and continue to do a good job in planning tour routes that link various cultural relic sites. We need to pay more attention to the art of displaying the relics, make better verbal presentations, perfect tourist services and facilities, and guarantee service quality. At the same time, we need to keep up with the visitors' interests and use the province's cultural relics as a starting point to actively explore ways and formats to suit different subjects and tourists of different educational levels. We should actively experiment with different culturally-oriented tour routes—some may combine the historical relics with different cultural and folk activities, and some may focus on the cultural relics of different historical periods. We can start with the Han-Tang cultural tour with Xian as the starting point, and, if that is successful, we can gradually open up routes that focus on various clan cultures and Zhou, Qin, Shu-Han, Buddhist, Taoist, and other cultures. To enrich the cultural contents of the cultural tourist points and routes and to continue to attract more tourists, besides allowing the tourists to view the cultural and artistic treasures, we should also introduce some ancient books and records and historical anecdotes along the way to impress the tourists' with a strong sense of spiritual wealth. We can also add some rich and colorful activities by recreating life in the old days in the large historical sites, so that by showing the way people dressed, the food they ate, the houses they lived in, and the means of transportation and by putting on various cultural performance, the tourists can get a feel of the different cultural styles and features and traditional practices along different cultural routes; it will make the tours more interesting. While the prefectures and cities should improve the schedule of existing museums and memorial halls, they should also actively develop regional, small-scale cultural and tourist attractions and take advantage of the local relics.

We should enrich and improve the content and the format when exhibiting our cultural relics abroad. We should exhibit different types of cultural relics—those that are representative of the different periods—overseas and take advantage of these opportunities to increase Shaanxi's influence abroad and promote foreign economic and cultural exchange. We should actively attract domestic and foreign advanced technologies and funds which will be used to protect, utilize, and develop cultural relic resources or to build cultural relic scenic gardens and parks and recreate ancient and old-fashioned villages and so on. The planning, financial, and banking departments should coordinate the effort and provide financial support and guarantees.

We must actively and steadily excavate the underground cultural relics in a planned and systematic way. While emphasizing the basic construction work before proceeding with the archaeological excavations, we must make thorough preparations before excavating the tombs of kings and emperors who played an important role in history. We should gather experts and scholars to discuss the feasibility of the excavation and diligently

formulate a program to build museums to house the relics after the excavation, and we must actively raise funds for the excavations. After having made thorough plans, conducted scientific debates, made detailed arrangements and preparations—if approved—we can proceed with the excavation. We must tighten control of the cultural relics market but also ease control in such a way as to promote proper circulation of cultural relics. We should permit permanent private collection of cultural relics passed down from past generations and allow the exhibition of private collections. Those willing to donate their family historical relics should be commended and rewarded. We must insist on high quality and fair prices when we purchase cultural relics. All cultural relic and natural science units that have rare cultural relics worthy of exhibiting should try to produce replicas for sale; they shall have exclusive copyrights.

#### **V. Pay Attention to the Scientific Study of Cultural Relics and Lay a Sound Foundation in Museum Construction and Cultural Relic Management**

We should do more scientific studies on cultural relics. Governments at all levels should make cultural relic studies a part of their scientific and technological development program and cultural relic undertaking development plan and continue to improve the means and conditions for conducting cultural relic studies and facilitate the timely exchange of study results and the publication of all works. The cultural relics department should work with the relevant scientific research units and college and universities and concentrate on developing scientific methods to protect the stone-type relics from wind erosion; to remove rust and protect the metal relics from further rusting; to preserve the color on the murals, the tricolored glazed pottery of the Tang Dynasty, and the clay figurines, and to protect silk fabric and scrolls from decay, deterioration, and dirt.

We must continue to work on the construction of museums and memorial halls and systematically build different types of small-scale museums for natural science, science and technology, folk art, clay figurines from the Han Dynasty, grotto artwork and so on to gradually develop a museum system unique to Shaanxi.

We must further strengthen various basic tasks pertaining to cultural relic management. Cultural relics departments at all levels must implement the cultural relics protection units' "four haves" (have proper marking, have proper organs to protect the relics, have established scope of protection, have information on record) and complete the gathering and compilation of cultural relic survey as soon as possible. They should work with the local county and village governments where important historical sites and tombs of kings and emperors have been discovered and formulate individual programs which not only protect the cultural relics but also accommodate the local people's production and livelihood. In localities with a high concentration of ancient sites and burial grounds, we must set up key protection zones. We must continue to work on the



consolidation, expansion, and improvement of museums and memorial halls at all levels. We should tighten the standards, implement the job responsibility system, straighten out the files, start new files on the collections, and set higher standards for the display and presentation to make the basic management of cultural relics more scientific, systematic, and standardized. The province-level museums and memorial halls must strive to attain the nation's highest standards with regard to the quality of collection, the way they safeguard, study, and display the relics, and the publicity, education, and services they provide.

#### VI. Effect Stronger Leadership in Cultural Relics Work

Shaanxi Province is richly endowed with cultural relic resources, which is its great advantage. Cultural relics work plays a very important role in the development of the province's two civilizations. Party committees and governments at all levels should link the cultural relics work to the glorification of the Chinese nationalities' fine traditional culture and the development of socialism with Chinese characteristics and look at the importance of cultural relics work from a high plane, as a part of the implementation of the party's basic line. We should work on cultural relics work the same way we work on the economic undertakings and put cultural relics work on top of the agenda. Party and government leading groups at all levels, especially those in localities with a high concentration of cultural relics, should assign specific personnel to these tasks. We must promptly study and solve the problems in cultural relics work and continue to smooth out the system, set up the necessary authorities, and improve management. The prefectures, cities, and counties must abide by the regulations in Shaanxi Document [1990] No. 023—which have been approved by the provincial government—and must conscientiously set up the necessary offices and assign the personnel. The prefectural and city cultural (historical relics) bureaus should set up a cultural relics protection section. The county and regional cultural bureaus should be equipped with specialized cadres responsible for protecting the cultural relics. The town and township governments in regions with a high concentration of cultural relics must assign workers to manage and supervise the cultural relics work. We must continue to strengthen the cultural relics contingent and train a cultural relic and natural science work team which is idealistic, ethical, professionally knowledgeable, and disciplined. We must strengthen the leading groups that head the grass-roots cultural relics departments and cultural relic and natural science units and pay attention to readjusting the existing personnel-mix and gradually raise the proportion of specialists. We must continue to improve Northwest University's School of Cultural Relic and Natural Science and set up various specialized cultural relic and natural science training courses to provide on-the-job political and professional training of the cadres and workers.

We must guarantee the necessary funding for cultural relics work. There must be some assurance that the

special funds set aside each year by the province for cultural relic undertakings are delivered in full. In the wake of economic development, cultural relic construction investment and cultural relic undertaking funding should be increased each year as needed. The prefectures, cities, and counties should also include the special funds set aside for cultural relics protection in their budget. Where permitted by state policies, we should encourage the cultural relics department to launch more business activities. Admissions to popular cultural relic and natural science units, if approved by the relevant departments, may be raised somewhat. The bulk of their income should be spent on developing cultural relic undertakings. To increase funding for the development of cultural relic undertakings and protect and utilize the cultural relics better, we must support, applaud, and honor enterprises and individuals who donate money to cultural relic undertakings.

Cultural relics work is very complex. We cannot simply rely on the cultural relics departments; instead we must mobilize the general public to show concern, pay attention, and show support for cultural relics work. The relevant departments must work closely together and cooperate with one another to facilitate the protection and utilization of the cultural relics and promote Shaanxi's comprehensive economic and social development.

#### Shaanxi's Zhang Boxing on Ideological Education

92CM0246A Xian SHAANXI RIBAO in Chinese  
18 Feb 92 p 2

["Excerpts" of a speech by Zhang Boxing (1728 0514 5281), secretary of the Shaanxi Provincial CPC Committee, at the Shaanxi Urban Socialist Education Work Conference on 17 February: "Continue To Explore the Road of Urban Socialist Ideological Education"]

[Text] At this seminar on socialist ideological education work, there will be an exchange of experiences derived from the first batch of pilot programs, the provincial party committee's "Opinions on Broadening the Experiment in Urban Socialist Education" will be discussed, and ways will be found to expand the experiment. If the seminar goes well, not only will it be highly educational for the effort to broaden the experiment, but it will also have a profound impact on the full-fledged introduction of urban socialist education soon. Let me make three points below.

Issue One: The first batch of pilot programs has been remarkably successful and provides valuable experience for the move to expand the experiment.

In the spring of 1991, the two areas of Hanzhong and Shangluo were the first to carry out pilot programs in urban socialist education. At a conference for the secretaries of prefectural and municipal party committees in July 1991, the provincial party committee decided to experiment with urban socialist education in some cities.



Subsequently the first batch of pilot programs was conducted in 117 grassroots units in 10 prefectures and municipalities as well as departments in industry, transportation, and armaments production. Through practice and experimentation, the pilot programs have obtained successful experience and achieved remarkable success. Even some people who were initially skeptical about urban socialist education have now changed their minds.

The results of the first batch of pilot programs in urban socialist education can primarily be seen in these ways.

First, the ideological consciousness of the cadres and masses has generally been raised. The cadres and masses in the experimental units now have a clearer understanding of the basic content, features, and requirements of socialism with Chinese characteristics. They now understand why socialism is superior to capitalism and have largely sorted out the distinctions between the two essentially different kinds of reform. They are now aware of the nature of the peaceful evolution practiced by Western hostile forces toward China as well as their tactics. They realize the causes behind the adverse turn of events in the Soviet Union and Eastern Europe and its danger. They understand that these are hard times for the international communist movement. Masses in the experimental units in Xianyang Shi said that in the wake of socialist education they now understood the "four dare nots"—dare not depart from the socialist road, dare not take the capitalist road, dare not forget CPC leadership, and dare not apply bourgeois democracy.

Second, there have been gratifying changes in the public's spiritual outlook. Socialist education has resolved the deep ideological problems of many comrades and fired everybody's political fervor, sharply boosting the ranks of those who want progress. According to statistics on Xian, Baoji, Tongchuan, and Xianyang, as many as 865 people joined the party or applied to join the party during the period of socialist education. Moreover, people's work attitudes are changing. More people are content with their jobs while fewer people are complaining or making cynical remarks. More people take part in voluntary work or public welfare undertakings and fewer people are preoccupied with their own personal gains and losses and haggle over their work. What is on display is a new socialist interpersonal relationship.

Third, a number of problems of concern to the masses have been solved. Units carrying out pilot programs in socialist education took pains to mobilize the masses to work out a host of problems in earnest. In certain units, some people used to occupy housing improperly and illegally. Now those cases have been rectified. Law and order has improved markedly. Many problems intimately related to the daily lives of the masses have been solved, including those concerning public toilets, trash, water supply, street lighting, roads, and sites of cultural activities.

Fourth, the relations between the party and the masses as well as those between the cadres and the masses have

improved. As part of the pilot programs, leaders at all levels, along with a host of departmental cadres, went down to the grass roots to do mass work face to face, instantly shortening the distance from the masses and changing the image of party and government organs in the eyes of the people. After rectifying their thought and style, the groups of many experimental units are now functioning better as a whole, more enthusiastic and more efficient in their work. The masses are now more satisfied. Some departments practice "open-door rectification" by soliciting opinions from the public and announcing the results of rectification. Surveillance by the masses was improved and there is now a heightened sense that cadres serve the grass roots and the masses. There are fewer cases of foot-dragging and passing the buck and petty arguments.

Fifth, ideological and political work is being taken all the way down to the grass roots. Many units have established or perfected their ideological and political work and practices; reopened political schools, part-time party schools, centers for cultural activities, and other bases for ideological and political work; and trained a host of propagandists, theoretical workers, and a corps of ideological and political workers of a mass character. During the socialist education period, ideological education made its way into courtyards, compounds, homes, stalls, booths, teams, groups, all the way into the heads of many people.

Sixth, it has stimulated work and boosted production. All experimental units combined socialist education with the spirit of the Seventh Plenum of the 13th CPC Central Committee and that of the central work conference, thereby spurring production and all sorts of work. In the Tongchuan Bureau of Mines, the Sanlidong coalmine practiced the "three opens"—opening the accounts to public inspection and making public the distribution system and bonus and wage distribution plan. The problem of districts and teams withholding bonuses and wages was put to an end. With the masses more pacified, more enthusiastic, and in a calmer mood, it is now easier to carry out reform. Of the 3,600 workers in the Baoji oil steel-pipe plant, as many as 3,012 approached the factory management with reasonable suggestions, which did much to improve efficiency. Some subdistrict offices even drew up neighborhood economic development plans and went about putting them into effect in earnest.

As an endeavor of path-breaking significance, the first batch of urban socialist education pilot programs has taught us many valuable lessons, primarily the following:

1. Continue to emphasize positive education. Make full use of all explain-and-publicize methods. Educate by positive examples. Since people differ in social experience, educational standard, age, comprehension, and level of consciousness, the challenge is to bring explain-and-publicize education closer to reality for the masses so as to capture their attention and make them more receptive. All experimental units took a targeted approach and offered classified guidance, customizing

their teaching to suit the individual. When they came across a difficult and complicated issue or a highly theoretical question, some units even solicited help from experts and scholars. Masses undergoing explain-and-criticize education did not simply disperse after sitting through a session. Instead, they were organized to discuss a viewpoint, distinguish between a right and a wrong, absorb a lesson, and deepen an understanding, all revolving around a particular topic. This intensified form of positive education has proved highly effective.

2. Emphasize self-education to attract widespread public participation. To launch socialist education in cities requires fully mobilizing the masses and enhancing everyone's sense of participation. This is critical to the success of socialist education. After mobilizing the masses, many units made extensive use of self-education and did their best to organize some lively, interesting, and appealing activities that the masses would welcome. Socialist education was closely interwoven with the "double base" education now under way in enterprises, with the "three-basic" education being carried out among party members, with the "five-passion" education being extensively implemented among workers, and with all sorts of socialist labor competitions, with one spurring on the others. The first batch of pilot programs in urban socialist education reached over 40 percent of the masses.

3. Studies and surveys were carried through to the very end. There was no precedent for urban socialist education. In their practice and exploration, most experimental units took surveys and studies seriously. Through meetings and discussions, Qingan Company was able to put the socialist education plan on a scientific and feasible basis. The Hanzhong Prefectural CPC Committee selected 22 topics and assigned them to the various experimental units to be discussed by members of the work groups as special topics. This exercise yielded a crop of research findings. By proceeding from reality and reviewing their experience, they were able to solve their problems.

4. Localities tackled their most outstanding problems in order of priority. The Nanyuanmen neighborhood party committee in Xian organized the masses to evaluate through discussion the subdistrict office, residents' committee, neighborhood enterprises, departmental cadres, the public security department, the court, and industry and commerce. The Renmin Lu office in Xianyang introduced a "public opinion form." Both have changed the general tone of the trade and its work style. Tongchuan Shi Hospital dispatched more than 20 medical and managerial workers to work in other hospitals to get a taste of the hardships experienced by people seeking medical services. In role-playing activities, the workers put themselves in the shoes of a patient or his family member. This has helped improve medical ethics and medical practices.

5. There is a firmer grasp of policies. Planning the pilot programs in urban socialist education back in July last

year, the provincial party committee put forward the policy of "three emphases" and "two no-criticisms." Xianyang Shi took the lead in teaching everybody that the latest round of socialist education differs from socialist education of the 1960's in three ways. The purposes of "criticizing and attacking intra-party capitalist roaders" were different from the goals of socialist education. "Cleaning things up in the fields of politics, economy, ideology, and organization" is different from ideological education accompanied by an effort to solve the most glaring problems in all units. "Everybody squeaking through, ruthless struggle, and merciless blows" were different from the "three emphases" and the refusal to attack the masses and cadres. In so doing, the provincial party committee not only kept to the correct orientation of urban socialist education but also removed the doubts and misgivings of the masses. During the rectification phase, Baoji Shi held fast to three principles: "concentrate on the grass-roots party branch; make ideological rectification the top priority, stabilize the overall situation, make individual adjustments, and advance grass-roots work." Of the more than 600 grass-roots organizations involved in the pilot programs, only 4 percent were rectified and less than 1 percent of the personnel were affected. By interpreting the policy correctly, experimental units in socialist education steered clear of any "leftist" tendency, which ensured the successful execution of their work.

Issue Two: Realize the vast significance of urban socialist ideological education from a strategic plane.

It is through ongoing deepening practice that one gets to understand urban socialist education. Compared to rural socialist education, urban socialist education covers a broader area and includes more trades and professions. Moreover, the objects of urban socialist education are better educated and more sophisticated in their thinking. Besides, even now some people remain skeptical and even do not comprehend urban socialist education. Hence the need to stress the necessity, importance, and urgency of socialist education and further unify our understanding of such education.

First, socialist education is indispensable by virtue of the role of a city. The city is a nation's or region's political, economic, and cultural center. It is where the national economy's mainstay industries, qualified people, and science and technology congregate. It is also where all trends of thought meet. The state of a city often is critical to a nation's stability and economic development. If we do not take the initiative to occupy the urban base, hostile forces at home and abroad and people engaged in bourgeois liberalization will do so. Urban socialist education is a major event affecting the nation's destiny. No longer can we again commit the mistake of "one hand soft, one hand hard" in the new situation.

Second, urban socialist education is imperative if we look at the tasks now facing us and the ideological state of urban personnel. The two leading tasks facing us today are opposing "peaceful evolution" and striving to make

economic work a success. However, some comrades regard economic work as the central task of the party and a heavy responsibility. To them, socialist education is more of a hindrance than a help. Others believe that provided we succeed economically, the attempt by hostile Western forces to impose peaceful evolution on us would die a natural death and that there is no need for socialist ideological education. Both points of view are harmful. They do not fully and accurately understand the party's basic line. They suffer from political myopia in that they fail to see the dialectical relationship between politics and economics, between socialist education and economic construction. Such ideological confusion is precisely what socialist education must clear up. It proves why we need urban socialist education.

Third, urban socialist education is essential in terms of strengthening the relations between the party and the masses. The Soviet Union used to be the only national power on a par with the U.S. But why did it collapse just like that? We can argue forever about that. In the final analysis, however, it collapsed because the party followed the wrong line, divorced itself from the masses, and lost their support. In the last few years, the relations between our party and the masses and those between the cadres and the masses have improved somewhat. Be that as it may, the public is still highly critical of some problems, with corruption within party and government organs, inequitable distribution, and law and order being the sources of greatest public dissatisfaction. Even as they worked out ideological problems, units experimenting with urban socialist education also tried to resolve some issues that the public has complained the loudest about, intensified a sense of serving the people among the cadres at all levels, further calmed the public, and brought the party and the masses closer together. This is the practical significance of that part of urban socialist education that seeks to rectify-and-reform in earnest and solve some of the problems that the public is most concerned about.

Fourth, urban socialist education is essential if we are to overcome the problem of "one hand soft, one hand hard." Urban work still faces many daunting difficulties. In enterprises, a large number of workers hardly think of themselves as the master in charge. Their enthusiasm has yet to be tapped. The party organizations in some enterprises have yet to fulfill their role as the political core. In colleges and universities, many students and young teachers have yet to consolidate their faith in socialism. In party and government organizations, some cadres suffer from low morale and bureaucratism; formalism still exists along with improper professional practices. Comrade Deng Xiaoping has identified education as the biggest failure of the past decade and said that we need to find a way to make this up for the people. If we devote our time and energies to a round of comprehensive, thorough, and systematic urban socialist education, it will help take ideological education to the basic level and help reverse the "one hand soft, one hand

hard" situation, thus paving the way for the execution of the party's basic line all around and the construction of the two civilizations.

Issue Three: Further strengthen urban socialist educational work and expand the experiment in urban socialist education.

To ensure that the expansion of the experiment in urban socialist education in the province proceeds smoothly and achieves the expected results, the provincial party committee is going to issue the "Opinions on Broadening the Experiment in Urban Socialist Education." Here I would like to stress three points.

1. Ideological education must highlight its opposition to "peaceful evolution." For years now hostile Western forces have been practicing "peaceful evolution" toward China relentlessly. In the wake of radical changes in the Soviet Union and Eastern Europe, in particular, they have made China the thrust of their "peaceful evolution" strategy, focusing especially on intellectuals and the younger generation in the cities. We must make grass-roots work aimed at preventing "peaceful evolution" take root in cities. We must eradicate the breeding ground of bourgeois liberalization in cities. We must stress the anti-peaceful evolution aspect of urban socialist education. Right now a common ideological problem among the cadres and masses is that they do not understand socialism with Chinese characteristics. Nor do they fully understand the party's current policies or make out the nature of certain social phenomena. They cannot tell what is socialism, what is capitalism, what is true socialism, and what is bogus socialism. This makes it imperative that we organize the cadres and masses to study the speeches and writings of Comrade Deng Xiaoping and Comrade Jiang Zemin concerning the building of socialism with Chinese characteristics, modern and contemporary Chinese history, the history of the CPC, as well as basic Marxist theories; to apply the Marxist stand, viewpoint, and methodology effectively; to understand the situation in China and in the world correctly; to master the history and reality of capitalism; and to understand the nature, tactics, and goals of "peaceful evolution" as well as the long-term and arduous nature of the struggle against "peaceful evolution," thereby making the cadres and masses better able to resist it and ideologically building a great wall to keep it out.

Socialist education centered upon the opposition to "peaceful evolution" must be organically integrated with education in the party's goals, education in patriotism and collectivism, education on how to handle the interests of the three parties—the state, the collective, and the individual—properly, and education on the excellent traditions and historical mission of the proletariat.

2. Have a clear understanding of urban characteristics and discover the basic laws of urban socialist education. We can sum up the experience of the first batch of pilot programs in urban socialist education as follows: Take

Marxism-Leninism-Mao Zedong Thought and the party's basic line in the initial stage of socialism as the guide. Make political and economic stability and the all-around construction of the two civilizations its goal. Use ideological education as its thrust. Integrate ideology with work reality closely. Educate the public about socialism as well as the party's line, principles, and policies so as to strengthen the faith in socialism of the cadres, workers, students, and citizens, and their consciousness about resisting "peaceful evolution." Resolve the more serious problems in all departments and units in earnest. Expedite urban reform, economic construction, and other social undertakings. Lay a solid ideological foundation for implementing the Eighth Five-Year Plan and 10-Year Plan.

The major tasks of urban socialist education are to educate, rectify, elevate, and construct. Education refers to socialist education. It includes an adherence to party leadership and the socialist road, opposition to peaceful evolution, modern and contemporary history, the state of the nation and province, the theory and line of building socialism with Chinese characteristics, the party's reform and open policy, the state of the party and its tasks, education on how to reconcile the interests of the three parties—the state, the collective, and the individual—properly, socialist democracy and socialist legal system, party history, party-building theory, and party goals. Rectification covers five broad areas, namely, rectifying leading groups at the grass roots; rectifying organizational ideology, practices, and discipline; rectifying production order and work order at the grass roots; rectifying unhealthy tendencies in the trades and professions; and rectifying law and order in society. Elevating means elevating the fighting capacity, cohesiveness, and appeal of party organizations. Construction includes the construction of organs of state at the grass roots, the construction of party and government organs as well as trade unions and the Communist Youth League, and residents' committees, the construction of the socialist democratic system, the construction of the ideological and political work system and its corps, and the construction of ideological and cultural fronts.

We put forward these four tasks with the whole province in mind. Each locality may set its own priorities based on its reality; there is no need to impose one formula across the board. Nevertheless, all trades, professions, sectors, and units must stress ideological education and begin by tackling the problems relating to the ideology and style of the group. The first batch of pilot programs makes it clear that urban socialist education must adhere to the principle of emphasizing ideological education, positive education, and self-education, and combine systematic theoretical teaching with lively and imaginative educational activities, an adherence to ideological education with the solution of real-life problems. Socialist education in a unit can solve only some of the major problems, especially "hot" issues that most people in the unit are concerned about, such as the style of the cadres, the general tone in the trade or profession, internal management, internal distribution, and the welfare of the

masses. It would be unrealistic to expect one round of socialist ideological education alone to solve every problem. When a problem cannot be worked out any time soon, explain the reasons clearly to the public.

3. Understand the policies thoroughly and avoid mistakes and errors. The expansion and deepening of the experiment in urban socialist education would inevitably raise numerous political issues. We must take them seriously and work harder to study them. The experimental units must stick to the party's mass line; trust and rely on party organizations at all levels; and trust and rely on the rank-and-file cadres, workers, intellectuals, and the masses. The work of experimental units in urban socialist education must come under the unified leadership of party organizations at all levels. Where the group has problems and cannot live up to the responsibility of directing socialist education, then the group must be rectified first before going ahead with socialist education. As a rule, the enterprise is not to send any work group. Neighborhoods and other units that must send work groups should also proceed with their work under the leadership of the party organization within the unit, instead of substituting for the leadership of the party committee. Cadres who have problems should be handled correctly and boundaries of mistakes and faults should be clearly drawn. Protect comrades who have shortcomings but have made contributions to reform and the open policy. Help them correct their weaknesses and go forward. In the case of comrades who have really made mistakes, we also should take a charitable attitude and stick to the principles of "unite, criticize, unite" and "learn from past mistakes to avoid future ones, and cure the sickness to save the patient." For comrades who have made mistakes of a general nature, provided they have gone through self-criticism to distinguish right from wrong and are willing to correct themselves, we should encourage them to continue to work hard. As for comrades who have made serious mistakes, we should handle them properly after making a thorough investigation and ascertaining the nature of the offense. Where party disciplinary actions or administrative disciplinary measures are warranted, they should be carried out through regular organizational channels in accordance with established procedures. Where the criminal law has been violated, it is up to the judicial organs to pursue the case under the law in accordance with legal procedures. In socialist education, we must overcome the tendency to "obliterate" and correct the mentality that "as long as it has not done in a couple of cadres, socialist education could not have solved the problems."

4. Strengthen leadership and plan meticulously. Whether or not the expansion of the pilot programs in urban socialist education can really achieve practical results will depend on whether or not party committees at all levels take it seriously and step up leadership. Party committees at all levels must further enhance their understanding, put urban socialist education on their agendas, and tackle it in earnest. Armed with studies and surveys and a clear understanding of the situation, they

should work out a socialist education plan, plan carefully to take into consideration the characteristics of their own units, and then proceed to carry it out effectively. All departments involved at the prefectural, provincial, and municipal levels must create an urban socialist education guiding group and staff it with a small number of highly trained and competent cadres transferred from elsewhere. The leaders of the party committee or party organization must plunge into the forefront of socialist education and do a good job in surveying and investigating to obtain firsthand materials. They must analyze the progress of socialist education regularly and study problems in socialist education that are recurrent or indicative of a trend. They should draw the right conclusions and promptly deal with a problem as soon as it is discovered.

All prefectural and municipal bureaus and departments along with those with a substantial number of subordinate

units should take pains to select units to launch the second batch of pilot programs in socialist education. There should be more experimental units in the second batch than in the first. Be sure that all quarters, including organizations, enterprises, schools, shops, hospitals, scientific research programs, and neighborhoods, are represented.

Pilot programs must avoid doing something perfunctorily and superficially or doing a half-baked job. Set standards. Inspect and take delivery rigorously to ensure educational quality. Comrade Mao Zedong said, "Everything must be put to the test." Urban socialist education is a vital piece of work of overall importance. Can it be launched across the board? When is it to be popularized? All will depend on the latest round of expansion. It is hoped that comrades will take it most seriously, practice boldly, explore diligently, and accumulate experience to contribute to the search for the fundamental laws of urban socialist education.

**Editorial on Trade, Economic Ties With Mainland**  
*92CE0458A Taipei CHING-CHI JIH-PAO in Chinese*  
4 May 92 p 2

[Editorial: "On Correctly Handling Trade and Economic Relations With the PRC"]

[Text] After almost four decades of mutual isolation and military confrontation, it can be said that relations between Taiwan and the mainland have been surging forward in recent years like a raging tide of shore-breaching storms. The major policy breakthrough of lifting the ban on visits to relatives in the mainland has allowed millions of Taiwanese tourists to pour into every corner of the mainland in wave after wave, suddenly pushing Taiwan-mainland relations into a new era. Since foreign exchange control was largely eliminated in 1987, the news brought back by those who have visited their families in the mainland has become information that has been made full use of by investors, so that group after group of bold and law-evading opportunists have become the daring vanguard of Taiwanese investment in the mainland. Moreover, the downturn in Taiwan's business climate, which has been caused by sharp currency appreciation, high wages, labor shortages, and high environmental protection costs, has driven a large number of Taiwan's former star export enterprises out of Taiwan, which caused the shift of Taiwanese enterprises to the mainland to peak around 1988. Once these enterprises that had moved to the southeast China coast had set up shop and gone into operation, their sharply increased demand for raw materials and intermediate products further enabled Taiwan-mainland trade to grow by leaps and bounds. While Ministry of Economic Affairs statistics show that Taiwan's 1991 exports to the mainland accounted for about 6% of our exports, the Taiwan Straits Foundation has included certain figures that were not directly covered in Hong Kong customs data, to discover that Taiwan's trade dependency on the mainland is already approaching the upper warning limit of 10%. Taiwan's exports to Hong Kong in the first quarter of 1992 increased sharply to almost 30% more than in the first quarter of 1991, far exceeding the increase in our exports to other countries, such as the United States, which has further increased this trade dependency.

No one dares to predict where such successive waves of sharp and dazzling changes will take Taiwan-mainland trade and economic relations. We agree with the warning that Taiwan-mainland relations are already overheated and Taiwan is already too economically dependent on the mainland and believe that the calls for rapid adoption of effective tactics to curb further expansion of Taiwan-mainland trade and economic relations will grow louder with every passing day. Nonetheless, we are also convinced that Taiwan-mainland trade and economic relations will continue to develop rapidly despite these increasingly resounding calls, and that, within a

very short period of time, all of these warning systems and upper limits will be thrown to the winds and lose all significance.

We base this prediction on the following two things: 1) These overheated trade and economic relations were certainly not caused by the current wave of investment, but rather by the trade demand that has grown out of the already finished investment activity of a few years ago. Faced with this fait accompli, how could we curb further expansion?; 2) As the mainland can see that the first wave of investment by Taiwanese investors in manufacturing for export has already peaked and, in light of political and funding considerations, it is gradually using the bait of an expanded domestic market to solicit a second wave of investment. As the Taiwanese business world has long drooled with envy over the vast mainland market, it will certainly be hard to resist its allure. Moreover, as the greed for this potential market is mostly among Taiwan's large- and medium-size enterprises, which makes it much different from the first wave of investment by small- and medium-size enterprises, the coming wave of investment will surge and rage in a way that the first one could not match.

Thus, we are faced today with a new situation that we subjectively did not expect but objectively cannot avoid. As we cannot continue to suppress it with the unyielding spirit of an A Q (a character in a Lu Xun novel who interpreted his defeats as moral victories), we must take a pragmatic approach and consider how we should meet this new situation. The negative issue is that, once our trade and economic dependency unavoidably reaches a point far beyond the predicted upper warning limit, how will we solve our most worrisome security problem? The positive one is that, once we take such a risk and pay such a large amount of money to create such a situation, how can we gain the most positive result, by achieving the maximum success with our pursued policy objective of peaceful evolution on mainland China?

While the absolute amount of our trade and economic dependency could definitely grow into a potential security threat, the actual force of such a threat would depend on the relative flexibility of both sides in this trade and economic activity. If Taiwanese industry, manufacturers, and business firms could rapidly and cheaply shift to other places our production process dependency on cheap mainland labor, land, or other resources, but the mainland could not as quickly find other producers to take over and use these resources in similar production activities, we would have more adjustment flexibility than them. The Taiwanese firms in the southeast China coastal zone are dependent precisely on simple and low-tech commissioned work. As long as we simultaneously engage in similar commissioned work in advance in other Southeast Asian countries, we would be able to change our commissioned work partners at not too great a cost, while it would be hard for the mainland to find other countries to replace such commissioned work. Thus, we should simplify as much as possible the production processes of our commissioned mainland

enterprises, in order to give them more adjustment flexibility, while taking active steps to help our manufacturers and business firms develop similar commissioned work markets in Southeast Asia as an emergency backup.

As to the policy objective of taking active steps to speed up peaceful evolution, our current investment pattern that is disorderly and concentrated in the southeast China coast does not have enough impact, while the southeast China coast, the Guangdong region in particular, has already been greatly influenced by market economy concepts, so that more investment there would have a very marginal effect. If we could employ appropriate coordination and guidance to enable a number of enterprises to form a highly independent entity, which

would select in a planned way a number of key cities with economic development potential, in which to take concrete actions to widely disseminate market economy operating concepts, advancing from point to line to scale and gradually into most of China, in order to influence most mainland Chinese people, such steadily converging forces would basically undermine communist ideology and change mainland Chinese society.

If we make appropriate plans in these two areas and effectively use our existing might, we can reduce the price we will pay for the rapid expansion of Taiwan-mainland trade and economic activities to the minimum. While it is impossible to predict its effectiveness, this should still be the most pragmatic policy.

### New TANGTAI Magazine Director Interviewed

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23 Apr 92 p 10

[By staff reporter Shih Li-i (2457 4539 0308): "Businessman Yeh Kuo-hua Has Become TANGTAI's New Boss"]

[Text] "Since the beginning of the 1990's, media communications have become very good business. Investing in magazines will provide economic as well as social benefits."

"As I see it, being patriotic and seeking democracy are as natural and common as rain and water."

"I do not believe that in doing business with China, one must feel very worried." "Generally speaking, mainland officials proceed in everything from a position of strength. Do not think that those power holders who exaggerate ideological control can manipulate everything." "In the 1960's, He Qifang wrote a story about being afraid of ghosts. The story says: The more you are afraid of ghosts, the more colossal the ghosts' images will become, and vice versa. Very often, I think that we must not consult CPC officials in everything, which makes them think they are important."

These remarks were made by Yeh Kuo-hua, the new boss and director of TANGTAI magazine at a meeting with this reporter yesterday.

A serious magazine which is concerned about China's direction, TANGTAI was established by Li Tzu-sung, director of the WEN WEI PO newspaper, and a group of staff members and workers who quit the newspaper after the 4 June Incident in 1989.

The new boss, Yeh Kuo-hua, is a businessman who invested over HK [Hong Kong] \$100 million in China. He runs hotels and factories and has offices in Shanghai, Guangzhou, and Beijing.

"China has now been undergoing a transformation into capitalism section by section. Many companies and enterprises are negotiating sales.... My feeling is that we acquire them and not the reverse," said Yeh Kuo-hua, who is talkative, fond of making gestures while speaking, and will take off his Western suit jacket when getting excited during a conversation.

His life experience can be considered legendary. He was a typical Marxist. During his university years, he majored in history. Later on, he was a teacher in left-wing schools and other colleges. In 1975, he quit

teaching and started a business after selling his house. His business ranges from plastics, sports articles, trade, and computers to the hotel industry.

Now he is president of the Informtech Industrial Group and a top computer producer and trader in Hong Kong.

Yeh Kuo-hua said: TANGTAI will still adhere to its patriotic and democratic orientation. He also stressed this point in a talk with Li Tzu-sung. Li will continue as honorary director and will participate in discussions on editorials. Mr. Yeh described Li Tzu-sung as TANGTAI's spiritual pillar. The editorial body remains unchanged, with Cheng Hsiang and Liu Jui-shao continuing as editor-in-chief and deputy editor-in-chief respectively.

He pointed out that TANGTAI's past shortcomings were focusing on too large a scope of endeavors and being too particular. In July this year, the updated TANGTAI will appear with a new image.

Mr Yeh said he will operate and manage TANGTAI using his experience in managing enterprises. According to an initial calculation, the magazine will get millions of Hong Kong dollars in additional investment every year.

He hoped that TANGTAI will become a profit-making magazine, because failure to make money indicates that the magazine has failed to play its role. If a magazine makes a profit, it means it is accepted by the market.

Although he regards operating TANGTAI as a venture, he does not draw any bottom line for losses. Yeh Kuo-hua said he would run the venture for several years.

Asked if he was worried that TANGTAI would adversely affect his business on the mainland, without any thought on the issue, Yeh Kuo-hua said: "The bottom line is not to become a martyr. As an entrepreneur, the first thing to do is to survive. It is very foolish to be a martyr. However, I am convinced that there are still many reasonably minded people within the CPC. China is not a one-man country. It has a huge organization in which there is a force of balance."

Yeh Kuo-hua is bullish about China. He stressed not overlooking the impact of Deng Xiaoping's tour to southern China. The "Deng whirlwind" has the momentum of crushing dry weeds and smashing rotten wood. In his opinion, the social atmosphere for China to open up wider to the outside world has taken shape. Mr. Yeh described his relationship with China as dancing "the tango"—one party retreats while the other advances.



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